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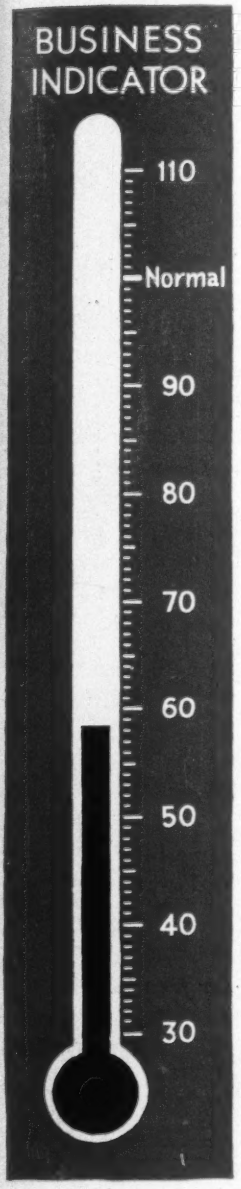
THE BUSINESS WEEK

APRIL 27, 1932



There is a slight, belated touch of spring in some of the recent business statistics, in spite of the solid frost of fear and defeatism in the financial atmosphere . . . . In most of the important indicators, allowing for the usual seasonal factors, the discouraging decline of recent months seems to have stopped, and in some a slight improvement has appeared . . . . Steel activity, especially in the independent concerns, is being sustained by a slowly rising stream of automotive orders . . . . Electric power production appears to be straightening out to a stabilization level, and building contracts likewise are supported by some improvement in public construction work as the season opens . . . . Merchandise freight movement and check payments have picked up a bit, possibly reflecting some spring stimulus in retail trade . . . . Federal Reserve efforts to force credit expansion and checkmate danger of other direct inflationary devices continue encouragingly aggressive, but member bank response is still slow. Reserves and deposits are piling up in the leading centers under the influence of large-scale open-market operations, but the member banks still seem reluctant to give steady and decisive support to security markets in face of declining confidence and fiscal uncertainties, and credit contraction continues . . . . But basic banking conditions are certainly better, and seem to be establishing a bottom on which some business improvement is possible if political disturbance can be avoided and the depressive insanity of the public can be overcome.

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IF, in your offices, you are getting careless, sloppy, slow work out of some members of your staff, test for *Twilight Zone.*★

As *Management Methods*, summarizing the seventh National Office Ratios Survey, says:

"It has been conclusively demonstrated that good or bad lighting directly affects workers efficiency. Speed and accuracy—so essential under present conditions—are materially reduced through poor lighting. Eyestrain, caused by glare, or by defective lighting, increases fatigue and may result in headaches, nervous disorders, and so on."

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A CHALLENGE

TO 100 MEN WHO ARE DISSATISFIED WITH THEIR INCOMES

A LOT of people seem to think that just because men give credit to the Alexander Hamilton Institute for increasing their incomes the Institute can increase *anybody's* income.

It may seem strange, but this constitutes a real problem to us.

These people (and we have heard from a lot of them in the last twelve months) still have the infantile notion that mailing a coupon and reading a free booklet is going to turn them into successes. They don't really *believe* this, but in a vague sort of way they *hope* it.

We have nothing for men who are depending on hope—nothing for men who are kidding themselves. There is no formula for becoming financially independent. It is a sober fact that we have helped to double and triple the earning power of thousands, but only because *they had it in them to earn more.*

WHAT SUCCESS COSTS IN 1932

What does it take to earn more in times like these? It takes Will and it takes Work. If you follow the plan we map out for you, you will do less work *in the end*—and make more money. But you've got to do some serious thinking to start with, and real thinking is just what everybody wants to avoid.

Frankly, we are a little bit tired of answering inquiries from people who don't mean business. We will play ball with you if you will play ball with us. To separate from the others those men who really want to *do* something about forging ahead financially, we print this unusual challenge. The challenge is this:

If—like many people in this lean year of 1932—you have been shaken out of your complacency and seriously want to investigate the quickest road to financial independence, we will match our time against yours. Provided you live within a reasonable distance of one of our offices, we will send a member of our staff, without obligation, to talk with you.

He is NOT a salesman, and will put no selling pressure to bear. You will be under no obligation to do anything but listen to the cold facts about Institute service. He will tell you what it costs and what it pays. He will tell you how much time it takes and how much time it saves. He will tell you a few of the men who have subscribed, and how you can apply Institute help to your *own* work in your own business. He will tell you what the Institute can and cannot do in guiding your investments. And he will not gloss over the fact that we can do nothing for you unless you are willing to do some WORK.

The whole interview will last about thirty minutes—that's about the time it takes to tell the Institute story in outline. At the end of that time, he will bid you good-bye, and you can do something about it or not, as you please.

There's our challenge. Do you want to hear the story? If you do, our challenge has been successful. If not, it has been successful too, for we shall have saved your time and ours.

The coupon below is for those who want to be financially independent *enough* to stake 30 minutes of their time. We estimate that only about 100 men will answer this advertisement. But they will be picked men. If you want to join them, welcome!

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Business Address.....

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Business Position.....

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This Business Week:

What to Watch

The significant indicators reveal the favorable effect of Federal Reserve efforts to expand credit. *(p. 6)*

Finance

At this stage of every depression, the hardship of paying old debts with new dollars (that cost $1.50 in goods and services) becomes intolerable, and the clamor for cheap money always arises. Congress is feeling the pressure—in bonus bills and what not. The Federal Reserve plan is better, sounder, and forestalls more drastic schemes. *(p. 5)*

Life insurance sales have fallen off. *(p. 28)* Cotton farmers must cut planting 35%, grow their own food and feed, in order to get a loan this season. *(p. 28)*

Marketing

John Ultimate Consumer is the most important man in America. What and how he buys is bread-and-butter information for every business man. After a year of research, *The Business Week* presents the first of a series of articles which constitute the most comprehensive study ever made of the world's greatest consumer market. *(p. 14)*

The gas industry is raising $6 millions for a national advertising and promotional campaign to expand its present business, insure its future markets. *(p. 18)*

Competition in the mechanical refrigeration field moved from quality and convenience to price. General Electric's 4-year guarantee moves it again to service. Evolution parallels the automobile's. *(p. 13)*

American Stores (2,800-unit chain) will sell its milk in paper packages at a lower price. *(p. 10)*

A new way of packing glass-packaged products in moulded wood pulp containers affords better protection for the contents as well as interesting labelling possibilities. *(picture, p. 13)*

Motors

Business Week men spent the last 2 weekends on the roads. They talked to automobile dealers in key states. They found that the new Ford, the General Motors shows, and the Chrysler sales drive have unleashed some real buying. *(p. 7)*

There's a truck front in this automotive battle for sales. *(p. 8)*

Labor

The Wagner bill, vetoed last session, is up again. With the need for an expanded federal employment exchange system so obvious, it will be hard to veto again. *(p. 22)*

Steel, grown gaunt on a profitless diet, is turning a desperate eye on wages again, forgetting that what's gained at the mill is all too often lost in Detroit. *(p. 20)*

The world's largest coal company helps its jobless employees to help themselves by providing land and seed for gardens. *(p. 25)*

Steel

The domestic price situation, already sick, is in danger of further infection from foreign prices which reflect fallen currencies and lost markets abroad. *(p. 20)*

Housing

More about large-scale housing. With the higher wage-income groups overbuilt, the neglected 55% of American families holds great possibilities for non-speculative profits. *(p. 27)*

Transport

The I.C.C., in its recommendations to Congress, urges complete control of the buses but not of the trucks—just yet. *(p. 24)*

Chicago railroads are going to put into practice some of the much-talked-about ideas for using the Railway Express Agency to its fullest capacity. *(p. 24)*

Foreign

With the Second Five-Year Plan on the way, Russia looks like a perfectly good sales prospect to many American manufacturers, and some of them are beginning to question the attitude of the die-hards. Details of the Plan are not definite, but potential purchases in numerous fields are apparent. *(p. 32)*

Reports of potash deposits in New Mexico which might supply the important American market had an immediate effect on European producers. Negotiations with Poland for an all-Europe cartel to meet the new competition are already in progress. *(p. 33)*

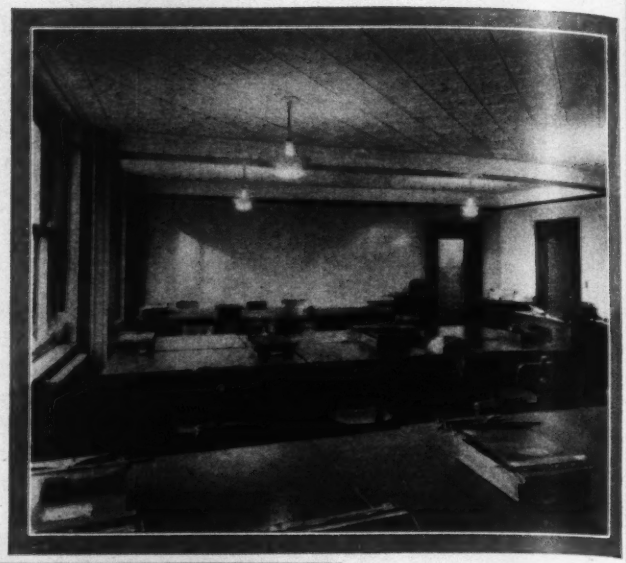
Germany is unsettled pending the outcome of the provincial elections. Hitler support is big enough, even if it doesn't win a majority, to upset the "conservatives'" balance of power. Or worse, the man with the little black moustache might take what he couldn't win. *(p. 34)*

The cabled reports reflect this suspense—as marked in France as in Germany. Britain plugs ahead, planing for Lausanne and Ottawa. Political obstacles everywhere stifle spring trade. *(p. 36)*

Figures

Mixed trends characterize the business world. . . . Steel activity, scraping bottom, reports a slight pick-up in orders. . . . April construction to date is turning upward, particularly in public works. . . . Coal reflects warm weather and mine suspension. . . . Electric power was forced upward by cold weather. . . . Mild improvement in trade accounts for upward trend in car-loadings. . . . Commodity prices lack real stability as yet. *(p. 40)*

Noise is an *Expense* Quiet promotes *Profits*



Acousti-Celotex sound absorbing tile on the ceiling of the stenographic department, Harris, Forbes & Co., Boston, Mass., makes concentration easier, improving and increasing the output.

•

"We have recently installed your acoustical material in our Atlanta Cafeteria," writes Frank O. Sherrill, president of the S & W Cafeterias, from the home office, Charlotte, N.C. "We are more than pleased with its effect in quieting our dining room. We know of no expenditure that will continue to give us more satisfaction than this one."

Now—thanks to Acousti-Celotex—business men can buy quiet—quiet for themselves, for their employes, for their patrons. The cost is relatively small; the returns immediate and gratifying.

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Busy telephones, typewriters, adding machines, addressographs—talk, movement—all these innumerable sources of irritating sound weary the brain and strain the nerves. And at luncheon in cafeteria or restaurant, the clatter of dishes creates discomfort just when one should rest and relax.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending April 23, 1932

Cheap Money Policy of Reserve Heads off More Drastic Plans

It must raise prices or growing political pressure for direct inflation may burst control

AFTER more than two years of almost continuously falling prices of commodities, labor, securities, real estate, in the most drastic collapse of values the statistical records have ever shown, the inevitable cheap money movement is coming to a head.

Inflation is openly and earnestly discussed on the floor and in committee chambers of Congress; the *Record* is full of learned as well as eloquent analysis of the monetary and credit question.

It is sometimes said that only a Bryan is needed to give the movement force; but the drive toward inflation today is different from that of the 90's. There is better understanding of the underlying economic issues; greater knowledge of technical methods of operation and control of an inflationary process; the demand for a cheaper dollar is more widespread, including not only the agrarian interests, but a great number of smaller business men, even a banker or broker or two, sub rosa.

A Direct Threat

The recent hearings on the silver question, on the bonus bill, and on the Goldsborough bill for price stabilization, the semi-official announcement at the latter hearings, by Governor Harrison of the New York Reserve Bank and Governor Meyer of the Reserve Board, of more aggressive policy of credit expansion, and its initiation last week—all these are not casual or unconnected events. They indicate a definite realization by the Administration and the national banking authorities that if deflation of prices is not checked and reversed by swift, successful action through the Federal Reserve system, desperate debtor groups may at any time force some direct currency inflation device through Congress, or compel abandonment or alteration of the existing gold standard.

The bonus bill has become primarily an inflation measure; as a compensation or unemployment relief proposal it is of little political importance. The Goldsborough bill and several others similar in purpose are intended more or less directly to alter the value of the dollar by Congressional action, under the first Article of the Constitution which gives Congress authority "to coin money and regulate the value thereof."

All these measures have received the support of earnest, public-spirited and competent persons representing many different interests. The Federal Reserve authorities could no longer ignore the movement because the basis of its support is unmistakable. The total amount of money in use today, including both cash currency and bank-made book-credit money, has declined about 20% from that in the few years preceding 1929, and each dollar of it is working only half as fast, so that the effective dollars of purchasing power available for business today are only about 40% of what there were in those years. As against this 60% curtailment in the production of money the total volume of trade is about 40% below the pre-depression level.

All this means that for each bit of business to be done there are only two-thirds as many dollars in existence; that the general level of prices is only about 66% of the average before 1929—that it takes about 50% more commodities, labor, securities to buy a dollar today than it did 3 years ago.

The One Price Rise

There are just as many valuable and useful things, machinery and labor power in the country as there were then; their real value has not changed; all that has happened is *that the price of money has risen 50%*. Everyone who before 1929 contracted to pay a dollar really has to pay a dollar and a half today. That is what Senator Thomas meant when he said that our dollar to-

What to Watch

These figures will be first to reflect the effects of the administration's war on depression. Encouraging changes are marked with a ★ (see page 6 for details)

Indicators	*1932*	*% Change in a Week*	*% Change in a Month*
These should be earliest to show progress:			
Money in Circulation	Apr. 20	+0.04★	—1.0★
90 Stocks (Standard Statistics)	Apr. 21	0★	—22.5
40 Bonds (Dow Jones)	Apr. 21	+3.6★	—5.3
Brokers' Loans	Apr. 20	+3.9★	—3.8
Member Bank Borrowings from Federal Reserve (Bills Discounted)	Apr. 20	—10.2★	—15.2★
Federal Reserve Open Market Policy (Holdings of Government Securities and Acceptances)	Apr. 20	+8.7★	+22.9★
Bank Suspensions — Number	Apr. 14e	—68.4★	—50.0★
U. S. Gold Stock	Apr. 20	—0.1	—0.1
Member Bank Reserves	Apr. 20	—1.6	+3.6★
These signs should follow promptly:			
Total Loans and Investments of Weekly Reporting Member Banks	Apr. 13	—0.6	—2.7
Fisher's Wholesale Price Index	Apr. 15e	—0.2	—1.1
The Business Week Index	Apr. 16e	+1.9★	+1.2★
Employment — Manufacturing (89 industries)	March	.....	—1.7

e—Week Ending

The Business Week

day is a dishonest dollar; it is not a dollar at all, but a dollar and a half.

The object of all the "inflation" proposals being brought forward in Congress and of Federal Reserve policy is to make a dollar worth a dollar again—not to make it worth less than a dollar. This can be done only by increasing the number of dollars in use in buying goods and labor by 50%. The bonus bills are intended to go part way in that direction by having the Treasury or the Federal Reserve banks issue to individual veterans about $2½ billions of new dollars backed by government bonds. This would add about 50% to the amount of currency now outstanding, and if cash currency were the only factor affecting the price level it might be expected to restore the general average of prices approximately to the 1926 level.

Effect Would Be Temporary

This would not be an outright gift, but a debt liquidation because, whether justifiably or not, the government has obligated itself to make this payment later, and its advocates plead that it would be better to do it now when the country and business need more money.

Such a new currency issue would undoubtedly be stimulating to trade, and especially helpful in the current automobile sales drive; but its effect would be only temporary because the banking system could rather quickly offset its influence in cheapening money. When spent it would come back to the banks; those in debt to the Reserve banks would use it to pay off their borrowings, which amount to about $700 millions; and much of the rest of it would probably be hoarded in bank reserves so long as the banks are anxious to become as liquid as possible.

The Goldsborough and other similar bills are designed to lower the price of money, at first by Federal Reserve action in substituting currency or Federal Reserve credit for government bonds by purchasing them in sufficient quantities, or, that failing, by reducing the price of gold now legally fixed by Congress.

"Credit Restoration"

All the Administration's financial measures, from the formation of the National Credit Corporation down to the Federal Reserve action in increasing open-market purchases of government securities last week, are based on the idea that deflation should be checked by expanding the amount of bank-money or credit in use through established banking channels and regular banking processes; that we should have credit restoration rather than currency inflation.

Through the National Credit Corporation it was first sought to stop credit contraction by private voluntary cooperation between the stronger and weaker banks. When this failed the Reconstruction Finance Corporation was set up to use the public credit to assist the banks in maintaining the volume of private bank credit money in use.

What Glass-Steagall Bill Did

When this appeared to be too large a task for the government to undertake directly with $2 billions because the amount of bank money that had been destroyed by credit contraction is about $13 billions, the Glass-Steagall bill was passed in order to put the Reserve banks in a position to use their resources for the purpose without interference from foreign gold withdrawals. Under that Act it is possible for the Reserve banks to double the amount of Federal Reserve notes in circulation backed by government bonds without going below the legal 40% gold reserve ratio, if they were called upon to issue them for general circulation under a bonus bill, for example, or to meet hoarding demands.

But the Reserve authorities would prefer to use these powers and their resources to stimulate or compel credit expansion through the member banks, by increasing the reserves of these banks, because each dollar of reserve credit money used that way is multiplied at least 13 times if it is employed as a basis for loans and investments by the member banks. In that way a billion dollars of Federal Reserve credit, if put to use by member banks in expanding their own loans and investments, would completely restore the amount of bank-credit=money that has disappeared from circulation during the deflation.

The Logical Next Step

That is what the Reserve authorities are now trying to do through large purchases of government securities, and it is the logical next step along the lines of action which the Administration has been following. By buying government securities from banks or individuals for cash or for a check on the Reserve Bank, they increase the cash reserves of the member banks by that much and make it possible and advantageous for them to expand their loans and investments by at least 13 times as much.

Whether this will lead to an expansion of the amount of credit in business depends upon the attitude and policy of the member banks themselves and of business. If the banks use the Federal Reserve money merely to pay off their debts to the Reserve banks, the effect of this Reserve policy will be neutralized. If the banks allow their reserves (which earn no interest) to accumulate and counteract the incentive to employ them by paying no interest to their own depositors on them, as the New York Clearing House banks decided to do this week, their influence on credit expansion will also be partly neutralized.

And finally, if business is unwilling to borrow or to float new security issues which the banks will buy, the Federal Reserve efforts to increase the amount of credit in use through regular banking channels will be foiled and the movement toward direct currency inflation will be strengthened.

The Indicators Respond To Reserve Efforts

"WHAT TO WATCH" indicators and other current banking figures show further Federal Reserve efforts to encourage credit expansion by the member banks, and a few faint signs that they may be beginning to take effect.

The Federal Reserve Banks are continuing to buy government bonds on a rather large scale, which is a favorable sign, although the latest week's purchases were not quite so large as in the preceding week. The effect of these open market purchases on the reserves of member banks was somewhat offset this week by a very slight increase in currency in circulation (which may be a reflection of some seasonal improvement in retail trade), and by some gold exports. A considerable amount of the new money put into the market by Federal Reserve operations was also used to reduce the borrowings of the member banks from the Reserve banks somewhat farther. The net result was to bring about a decline in member bank reserves, for the first time in several weeks.

In spite of this, the New York member bank figures for the week ending Apr. 20 give some promise that the process of credit expansion as a result of Federal Reserve policy may be starting. Loans and investments of the New York banks rose rather sharply, showing fairly large purchases of government and other securities, and for the first time in a long while, an increase of commercial loans.

If these tendencies continue it will be an encouraging sign that the Federal Reserve efforts are having some influence on member bank policy along the lines expected when they were initiated.

Acme

FORD AND FRIEND—*The V-8 seems to be what the public wants; few of the 300,000 orders now in hand for the new Fords are for the 4's*

They Are Selling Automobiles Despite All the Complications

Ford dealers get orders, but worry over deliveries; Chevrolet and Plymouth report brisk upturn

WITH the multi-million-dollar sales drive of motor car manufacturers well under way and a first appraisal of consumer-reactions possible, a special survey by *The Business Week* shows that in most territories results have been better than expected.

While in some districts unfavorable weather has retarded buying and in others lack of industrial activity has made new-car orders scarce, the pickup experienced by dealers in cars of all price classes, and in all types of territories, has in many quarters evoked the comment that business generally seems finally headed for improvement.

Unquestionably the announcement of prices and specifications of the new Ford models contributed most to the unleashing of consumer buying. Whether they had been contemplating purchase of a car in the Ford price range, or planning to pay a substantially higher price, buyers had waited for the Ford announcement, not only to see what Mr. Ford had to offer but also to watch its effect on the prices of other cars.

Ranking in importance with the Ford signal, probably equally effective in changing inert prospects into real buyers, the dramatic staging of General Motors' nationwide sales drive with its big exhibits in 55 cities, local exhibits in smaller ones, individual telegrams to prospects, and intensive sales attacks by dealers produced remarkable results.

Finally, the well-directed drive of Chrysler for Plymouth and DeSoto orders and price adjustments by several important manufacturers, all apparently timed for the moment of their greatest psychological worth, contributed substantially to the success, that, measured by actual orders, has been achieved.

Ford dealers everywhere are agreed that Mr. Ford has outdone himself in the unexpectedly low price range on his new models; report unbelievable attendance figures at showings of the new Ford V-8, claim that public interest far exceeded that which greeted the first Model A; say that getting orders is no trick at all. But they uniformly sigh when asked about delivery.

No dealer knows when deliveries are to begin, no Ford representative professes to know. Guesses only are ventured—in whispers—and conjecture places the all-important date at from 1 week to 3 months hence.

How Enthusiasm Varies

The enthusiasm of Ford dealers, prospects, and buyers who have actually placed orders varies with the time elapsed since the sample car was shown or the order placed. It is somewhat subdued where orders were placed some time ago and where constant inquiries regarding delivery bring no other answer than the usual "We don't know"; is decidedly absent among dealers who have had to return deposits, cancel orders, make adjustments on trade-ins, watch their customers take the returned deposit money to buy a competitive car.

Some Ford dealers, better versed in the ways of car manufacturers, have used various plans for holding their potential buyers. One New England Ford dealer of 14 years' standing, foreseeing a long wait for new cars, reconditioned and repainted a large stock of second-hand cars (mostly Model A). When his turn came for a 1-day showing of the new V-8, he advertised and staged simultaneously a big second-hand car show. Among the 4,000-odd persons that came to see the new Ford he found buyers for practically all the second-hand cars and incidently he took orders for 15 V-8's.

Supply an Old Car

Some Ford dealers have booked orders for the V-8, taken the traded-in car for disposal while the market is good, given their customers other less readily saleable used cars to run until the new car is delivered. However, the majority have made no promises, except that deliveries will be made in order of orders, are relying on the pulling power of low prices, trying to hold good-will at any cost, and are, in many instances, resigned to the probability that the best part of the 1932 selling season will be over before they will begin to make some money. Last week branch assembly plants began to assemble Model B cars. The V-8's continue to be made at Rouge.

Figures obtained from dealers in up-

wards of 60 communities in various sections of the country indicate that current reports, claiming orders for upwards of 300,000 cars (mostly V-8's) in Ford's hands, may not be exaggerated.

100 in a Day

In Providence, R. I., over 15,000 visitors at the first day's showing placed over 100 orders. A dealer in a city of 20,000 took 32 orders after the showing and expects to take that many more as soon as his demonstrator arrives. In a town of 800 population below the Mason and Dixon line, the Ford dealer had over 600 visitors at his 1-day show, took orders (with deposits) for 23 cars during the following 4 days.

Meanwhile, dealers in other low-priced cars have capitalized their ability to make prompt delivery with excellent results. Chevrolet dealers who, up to the time of the Ford announcement, the Chevrolet price revision (*BW—Apr 13'32*), and the General Motors drive, had found business poor, experienced sudden and substantial improvement.

Many "Clean" Sales

One Chicago dealer, after selling only 22 Chevrolets in March, placed 27 right after the Ford show, 8 in one day. He expects to total 90 to 100 cars for April, notes an unusual number of "clean" sales (where no trade-in is involved), believes that with the first return of better conditions many "clean" sales will be made to people who in the last 3 years have had to dispose of their cars for reasons of economy. A dealer in a small Connecticut town sold 5 Chevrolets within 4 days after the new Ford had been shown in a city 20 miles distant, with 2 "clean" sales to people whom he had never before seen. A Maryland dealer who was far behind his 1931 record when the sales drive started, has since caught up with total sales.

In Delaware Chevrolet dealers point to the state registration records which show 48 new Chevrolets registered for first 11 days of April, 32 during the next 3 (succeeding the local showing of the new Ford).

Total retail sales Apr. 1–10 were 17,452 new, 26,573 used cars, Chevrolet announces—5,000 above the previous 10 days, 88% above Mar. 1–10.

One New York state Plymouth dealer sold 14 cars during the first 9 days of April, claims the largest number of real prospects since he started in business 10 years ago. A Massachusetts dealer sold 13 new Plymouths and as many second-hand cars during the first week after the Boston showing of the new Ford and the General Motors exhibit.

Costlier Cars Profit

Many dealers in higher-priced cars report remarkable improvement since the "big push" started. For instance, one who had sold only 28 Buicks during March, substantially fewer than in 1931, took 19 orders during the first 8 days of April, had then sufficient business in sight to equal last year's April record of 61 cars. With G.M.'s special exhibit and drive still in progress he expected to beat 1931. The Studebaker dealer in a Pennsylvania factory town sold 2 big Studebakers and 4 Rocknes in one week, observed that most of the workmen in town were using their old cars, but that he was doing better than in 1931.

Ford dealers bemoan the fact that the cars which were supplied for show purposes cannot be used for demonstrations, remain locked at ignition and transmission, are the property of the manufacturer, will have to be returned to the factory. They claim that their hands are tied and that many prospects who would wait if they could get the thrill of a ride in the V-8, but are unwilling to buy a "cat in the bag," are getting their demonstration—and cars—elsewhere.

Practically all dealers are agreed that not in many years have trade-ins been in such run-down condition.

They expect much of the new-car business for the remainder of 1932 to come from just two classes of people. First, there are those who would ordinarily have been new-car buyers in 1930—or at the latest, in 1931—but have delayed until it would take more cash to repair their cars than would be involved in a trade-in and down-payment on a new car. Second, there are hundreds and thousands who have had to convert cars into cash, or surrender them because of inability to meet instalment payments, who will come into the market if conditions generally improve. Most dealers are of the opinion that what might be termed "normal" new-car business need not be expected until 1933 or 1934.

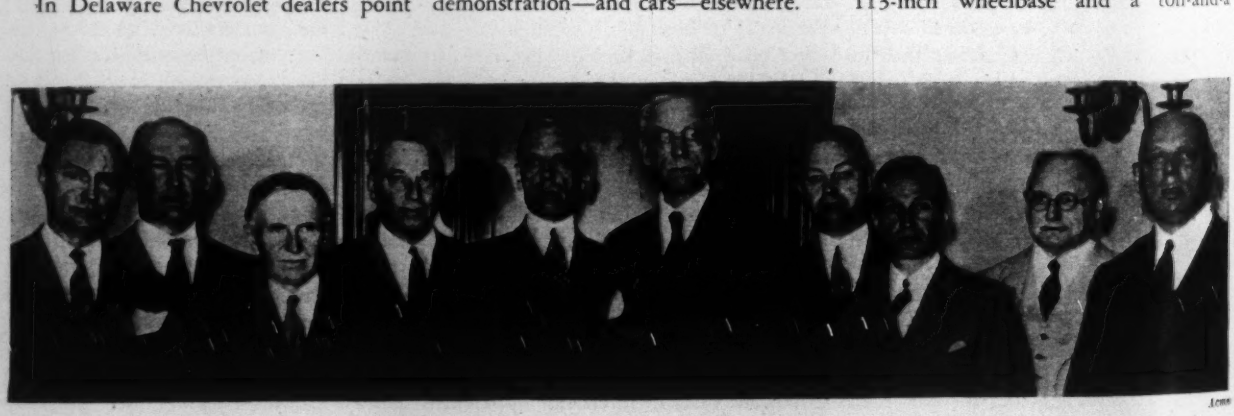
Want Easier Terms

In some quarters the point was argued that every dealer would get more business if instalment payments were extended over a longer period. Many Ford dealers expressed the hope that the rumored 24-month payment plan might be put into effect simultaneously with actual deliveries of the new models.

Automotive Battle Spreads to Trucks

THE automotive battle of 1932 is not to be confined to the passenger car field.

Ford is offering new 4-cylinder trucks, designated as Model BB, at a base price of $350 for the 106-inch chassis and $470 for the 131-inch wheelbase. Willys-Overland has added a wide variety of body types which is said to blanket 90% of the available market, presenting a half-ton truck on 113-inch wheelbase and a ton-and-a



Acme

STUDEBAKER CHRYSLER GENERAL MOTORS WILLYS HUPMOBILE
HUDSON FIRESTONE THE SENATE FORD GENERAL MOTORS

THE INDUSTRY PROTESTS—*Automobile men, as they appeared before the Senate Finance Committee to protest against the tax. Left to right: Messrs. Chapin, Graham, Firestone, Chrysler, Sloan, Senator Smoot, Qualey, Ford, Hastings, Swain*

Ice Cream Is Good For You

and International Trucks are good for the Ice Cream Industry

Illustration shows 3-ton Model A-5, 190-in. wheelbase chassis with mechanically refrigerated body.

HATS off to Dolly Madison, the fourth First Lady of our land! For she it was who returned from London one fine day with news of a delicious dish called "ice cream"... and the recipe for making it.

Our countrymen welcomed the new dessert with open mouths, and today ice cream is typically American... far more popular than in any other country of the globe.

Thanks to the high standards and progressive methods of the Ice Cream Industry, this one-time luxury is now a most wholesome and healthful food, of which our per capita consumption is about 72 good-sized helpings a year.

The growth of the Industry has been sure and steady... and easily understandable. And one of the biggest contributing factors has been the successful solution of its distribution problems.

International Trucks render a significant service to Ice Cream Manufacturers. Often they are the *deciding factor* that turns loss into profit. The Ice Cream Industry knows it can rely on Internationals under any conditions... be assured of low operating and upkeep cost on every route.

The rugged reliability of International Trucks... their great reserve of power... their speed and ease of handling... their impressive good looks... their time-tested and job-tested economy... these things indicate that what they have done for the Ice Cream Industry they can also do for you. And the International Line is so complete that the chassis and body requirements for any job in any industry can be met exactly.

Arrange for a demonstration with the nearest International Branch or dealer.

Ask for demonstration
of the 1½-ton, 4-speed Model A-2
Now reduced to

$615

for the 136-inch Wheelbase
Chassis f.o.b. factory.
Other sizes from ¾-ton to 5-ton.
International branches at
183 points.

INTERNATIONAL

INTERNATIONAL HARVESTER COMPANY
OF AMERICA
(INCORPORATED)
606 S. Michigan Ave. Chicago, Illinois

INTERNATIONAL TRUCKS

Acme

TROUBLE IN OHIO—*The National Guard comes to Cadiz, brings martial law to the coal towns where miners and operators are warring over wages*

half truck on 131- and 157-inch wheelbase, prices on the small models starting at $415.

Dodge Brothers has announced two new 6-cylinder truck models, a 1½-ton and a 2-ton unit, at chassis prices of $585 and $795 respectively. Studebaker has reduced its prices for 1½-ton trucks to $670 and has augmented this line with a chassis having a 141-inch wheelbase. Studebaker showed a gain of 127% in truck business the past year against a decline of 23% for the industry.

Firestone Coupon Plan Uses 1,000 Unemployed

FIRESTONE TIRE & RUBBER CO. has put 1,000 unemployed men to work in Detroit selling coupon books for 25¢. The men are taken on the recommendation of any recognized agency for obtaining work for worthy men. They retain the entire 25¢, and the Firestone Co. rebates 25¢ when a customer presents the first coupon in the book and makes a purchase. Afterward, the customer is entitled to a 10% discount each time he makes a purchase and surrenders a coupon.

Gasoline and tires are not included in the plan. The company expects to sell 100,000 books. In the past few weeks the plan has been tried successfully in Lansing, Jackson, and Ann Arbor, Mich.

Oil Companies Shift To Meet Tariff Threat

WHAT looks to be the petroleum industry's first definite move to meet the situation that would be created by an oil import duty is the reported purchase by Standard Oil Co. of New Jersey of the foreign properties of Pan-American Petroleum & Transport Co., Standard of Indiana subsidiary.

Pan-American has centered its activities on the development of foreign production, chiefly in Mexico and Venezuela, has been for years the largest American producer of foreign crude oil. But it has not been particularly successful in building up foreign markets, so a large share of its foreign production has been imported and sold in the United States. Standard Oil of New Jersey has developed in the opposite direction; while it has important foreign production, its foreign sales are so great that large exports from the United States have been required to supply them.

The new line-up simply closes these gaps in the programs of the companies; leaves Pan-American to produce and sell the products of domestic wells; permits Standard of New Jersey to fill a larger share of its foreign market demands with foreign oil. It will drastically curtail the amount of imports.

Chain Will Sell Milk In Paper Containers

CHAIN store merchandising methods applied to increase the chains' sale of fluid milk may cause thrifty consumers to forego door-step delivery in favor of penny savings at the chain store. They may also fling a boomerang at those dairy companies that have urged the abandonment of the sale of loose milk in cities on the ground that it is unsafe—and somewhat with the idea that an increase in their own sales of bottled milk would follow.

American Store Co., chain with 2,800 links, has signed a contract whereby Standard Dairies, Inc., of Philadelphia will supply its food stores in the Philadelphia territory with milk wrapped in American Sealcone Corp.'s paper Sealcone containers.

Packaged Milk Sales

First installation of 4 Sealcone milk "wrapping" units has been completed. In 500-odd stores where milk was previously sold, the new one-time package has pushed milk sales from the previous daily average of less than 10 quarts per store to over 40 quarts. Milk sales for the group exceeded 25,000 quarts daily after the fourth day. Prices quoted on wrapped milk were based on current prices charged by local dairies for milk delivered in bottles, less the customary delivery charge of 2¢ on grade A, 1¢ on grade B.

With less than 25% of the American Stores absorbing practically all the capacity of present "wrapping" equipment of Standard Dairies, Inc., installation of 11 additional units is under way, so that all the company's stores in the Philadelphia territory can be supplied.

Avoids Old Nuisance

Handling of fluid milk in chain stores has always brought more annoyance than profit. Bulk selling is inconvenient, requires special provisions for storing and icing the standard 40-qt. containers, interferes with the ordinary routine of over-the-counter selling and slows up service. Bottled milk involved careful handling and storage, collection and return of cash bottle deposits, storage and checking of "empties." Under either plan milk sales were unprofitable, merely a convenience to customers.

Sealcone containers for milk and other

Your youngsters think you are "The Greatest Dad in the World"

© 1932 M.L.I. CO.

Metropolitan Life's contracts afford a means to

—create estates and incomes for families

—pay off mortgages

—educate children

—provide income in the event of retirement

—establish business credits

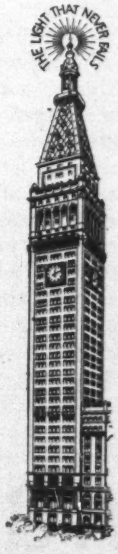
—stabilize business organizations by indemnifying them against the loss of key-men

—provide group protection for employees covering accident, sickness, old age and death

—provide income on account of disability resulting from personal accident or sickness.

Metropolitan policies on individual lives, in various departments, range from $1,000 up to $500,000 or more, and from $1,000 down to $100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.



TO your youngsters there is not another man in the whole world like Dad. They boast about you to other youngsters (and secretly you like it). Their greatest hero is Dad. The future holds no terrors for them because of Dad.

They look up to you with simple trust and complete confidence that what Dad thinks—what Dad says—what Dad does—is right, always. Mother, too, tells them what a great Dad they have; they share with her the faith that Dad will always look after their needs, their comforts and their security.

Every Dad wants to live up to his youngsters' idea of him. They are his richest possessions and he cannot disappoint them.

Making sure of comfort and security for his youngsters, for all the family, has brought happiness to many a father who has arranged this certainty through a program of Life Insurance. Then, whether he lives or not, their needs will be looked after.

He has made certain that when his children go out into the world to make a place for themselves, they will be well equipped, well educated.

He has provided for Mother so that if anything happens to him she will receive a sure, permanent income. He has arranged for the financial independence of himself and his wife at the time when the family has grown up. He has protected their home so that it will not be taken away from them by foreclosure of a mortgage.

A Metropolitan Field-Man will be glad to show you the different steps in building such a program. From him you can learn how the most necessary things can be arranged first.

Regarding Life Insurance in any amount, consult a Metropolitan Field-Man or write to

METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT · · · ONE MADISON AVE., NEW YORK, N. Y.

"Good old H_2O"

But-

it cost him his Best Customer . . .

FOUR O'CLOCK. Another hectic conference over. Back in the solitude of his own office, he settles down, pours himself a drink of cool, refreshing water.

"Good old H_2O," he murmurs. But someone should tell him the truth about it. This water that tastes so good to him now is solely to blame for the trouble he's having, entirely responsible for production delays that cost him his best customer.

His Engineer Knew

He couldn't understand why the boilers *had to be cleaned* at a time when more steam was needed. "The water we're using has clogged the boilers with scale. It wouldn't be safe to force them," the engineer told him.

The engineer was right. Practically all water contains mineral impurities that cause the formation of scale, put boilers on the sick list. It is responsible for serious process difficulties, too. For its mineral content is constantly changing.

Many executives and engineers overlook these facts. They fail to recognize water as a source of excessive maintenance expense, to realize how it impairs the uniform quality of products.

Permutit Water Conditioning will keep your water supply continually free of the elements responsible for such costly handicaps. Performance records from textile mills, industrial plants, institutions, definitely show the substantial economies it effects. For example, Permutit Water Conditioning equipment saved a well-known textile mill $6,000 annually . . . a New Jersey manufacturing concern $13,000 . . . a railroad $391,500.

. . .

A complete analysis of your water supply by the Permutit engineering staff and laboratories will accurately determine the fitness of your water . . . how to correct any faulty elements it may contain. It entails no charge or obligation. Address The Permutit Company, 440 Fourth Avenue, New York City.

Permutit

WATER CONDITIONING

Removes: Minerals, dirt, hardness, taste, color, odor from water.

liquid commodities have been available for some time (*BW—Dec24'30; Dec 16'31*). While some of the largest dairy companies have started to market milk and orange juice in these individual, one-time "packages," more general adoption has been somewhat retarded by the fact that their use calls for the installation of special machinery, throws out expensive bottling- and bottle-washing equipment. Also, some dairy operators claim that cardboard is unsafe as a container for liquid. Success of this chain store–dairy cooperative experiment may break down some of this resistance.

The Electric Refrigerators Are Becoming "Class-Conscious"

FURTHER price reductions, new lines at drastically lower prices, and an important service-guarantee extension, are among the latest bids that the mechanical refrigeration industry has made for its million-unit quota.

After Frigidaire, Kelvinator, Copeland and others announced price reductions early in 1932 (*BW—Feb.24'32*), thereby projecting the price factor into competitive selling that, up to then, had centered chiefly around the principle of convenient mechanical refrigeration, other manufacturers found that they would have to follow suit in order to maintain their relative positions in the field. To-day, every important manufacturer is selling refrigerators at prices substantially below those quoted 3 months ago.

Along with this avalanche of unsettling reductions, manufacturers face another important new problem as the result of the announcement by General Electric Co. that hereafter its "monitor top" refrigerators will be sold subject to a service guarantee which protects the purchaser "against all service and repair costs" for 4 years.

Guarantees in Dispute

Guarantees on mechanical devices made for use by the average consumers have been the subject of much controversy. In recent years manufacturers of mechanical appliances for consumer use have followed the lead of the much-experienced automobile industry, limited their guarantee to replacement at the factory of parts that prove defective in material or workmanship within 90 days after delivery to the original purchaser.

Proponents of the 90-day guarantee hold that errors in design or production should be corrected as they occur, that if parts of any mechanical device are faulty in material or workmanship they will fail within the 90-day period, that any guarantee extension beyond the 90-day limits must be considered a sales device and that, as such, the expense of compliance should be charged solely to sales expense.

They argue that nothing but a definite attempt to gain competitive advantage can justify a refrigerator guarantee of even 1 year, that, in any case, extension of the guarantee beyond the final completion of instalment payments is uneconomical and unjustified. They quote production engineers in many lines in support of their objections.

Those who favor long-term guarantees argue that in the final analysis 3- or 4-year commitments do not necessarily constitute added liability, but simply serve to impress the buying public with the confidence a responsible manufacturer has in his product.

Experienced observers of trends in the marketing of highly mechanized consumer goods see in the announcement of the General Electric's 4-year guarantee the signal for a realignment of the mechanical refrigeration industry on a price-class basis, somewhat along the lines of the motor car industry.

Developments since January 1, 1932 have put to manufacturers with undeniable emphasis the question whether they are going to merchandise their product on a quality, price or quality-and-price basis.

Frigidaire, pioneer in the field, probably will follow the General Motors policy of providing high-value merchandise for buyers at various price levels, as evidenced by its recent launching of the Frigidaire-Moraine as a second line at a lower price.

Kelvinator already has its second line in the Leonard.

By maintaining its prices at practically highest levels and announcing an extraordinarily liberal service guarantee, General Electric practically throws down the gauntlet to all who may wish to challenge its quality.

Motors Went Same Route

The motor car industry went through just such an evolution from the time when it was an achievement to build a car that would actually run, until out of the chaos of the 1905-15 period emerged a small group of high-quality cars, a considerable number of cars in the medium-priced class, leaving Ford—followed by Chevrolet and Plymouth in later years—to cater to the wants of the multitude.

Careful observers hold that the refrigerator industry is right now engaged in evolving its Packards, Cadillacs, Pierce-Arrows, Buicks, Studebakers, Nashes, Fords, Chevrolets and Chryslers.

The Business Week

PULP-PACKED—*The new moulded pulp container, developed by Owens-Illinois Glass Co., makes the old hay-and-paper packing obsolete. "Pulpack," moulded to fit from woodpulp, protects glass goods from breakage without cases or corrugated dividers, provides insulation.*

The American Consumer Market —A Study by The Business Week

First complete picture of goods and services actually consumed shows astonishing totals

This is the first of a series of articles which tell how Americans spend their money. It is the first comprehensive study of the kind, at once the most complete and the most detailed. The figures upset many current ideas; the information on the world's greatest consumer market is of vital importance to every business man who sells goods or services to the American public

IN this and every other highly developed industrial country, domestic consumption is now the key to every vital economic question. It has become the basis of industrial stability, the source of business profits, the measure of standards of living, the ultimate test of social progress. It sets the limits of profitable capital investment and industrial expansion, establishes the value of corporation securities, and must determine the fiscal policies of government.

Yet in spite of the immediate importance of the consumption aspect of the modern economic system, it has been the least investigated and the least understood. We have fairly comprehensive information, in this and most other industrial countries, about production; and we have made a beginning through the Census of Distribution and other efforts to assemble statistics which will shed light on the selling machinery and methods of American business. In both these fields there is, besides, an enormous amount of technical literature relating to cost reduction and improvement of processes. But almost nothing is known about even the basic facts in the field of consumption, and what is known has not been brought to the attention of most business men.

Many Partial Studies

There have been many studies, by official and private agencies, of family budgets and average expenditures of special classes of consumers in particular localities; and through private organizations like Consumers' Research, Inc., there is developing a kind of technical literature intended to help individual consumers increase the efficiency of their expenditures. Several estimates of retail distribution of specific kinds of commodities and of total retail sales have been made for single years or short periods, through the pioneer work of Waldron, Arnold, Nystrom, King and others; and through the painstaking work of the National Bureau of Economic Research and other organizations there are available reliable estimates of the total annual income of individuals in the United States, as well as of various classes of the country's population.

But, astonishing as it may seem, no systematic attempt has ever been made to construct a comprehensive picture, covering a considerable period of time and all kinds of expenditure, of the total consumption of goods and services by individual consumers in the greatest single consumer market in the world.

Good Times and Bad

In this and the succeeding series of weekly articles extending over several months, *The Business Week* will present and discuss in summary form estimates of the total value of the goods and services absorbed by the American consumer market year by year from 1919 through 1930, a period of rapidly changing business conditions, including several years of depression but covering the greatest period of prosperity the country has known.

These figures were compiled during the past year under the direction of Virgil Jordan, economist of *The Business Week* and the McGraw-Hill Publishing Co., with the collaboration of Robert R. Doane, who is responsible for the statistical compilation. They are the result of a systematic effort to piece together and correlate every bit of comprehensive and representative information available in the field of consumption covering this period. The amount of such information directly or indirectly useful for this purpose is surprising, but it has never before been assembled and systematically treated.

The main sources of original mate-

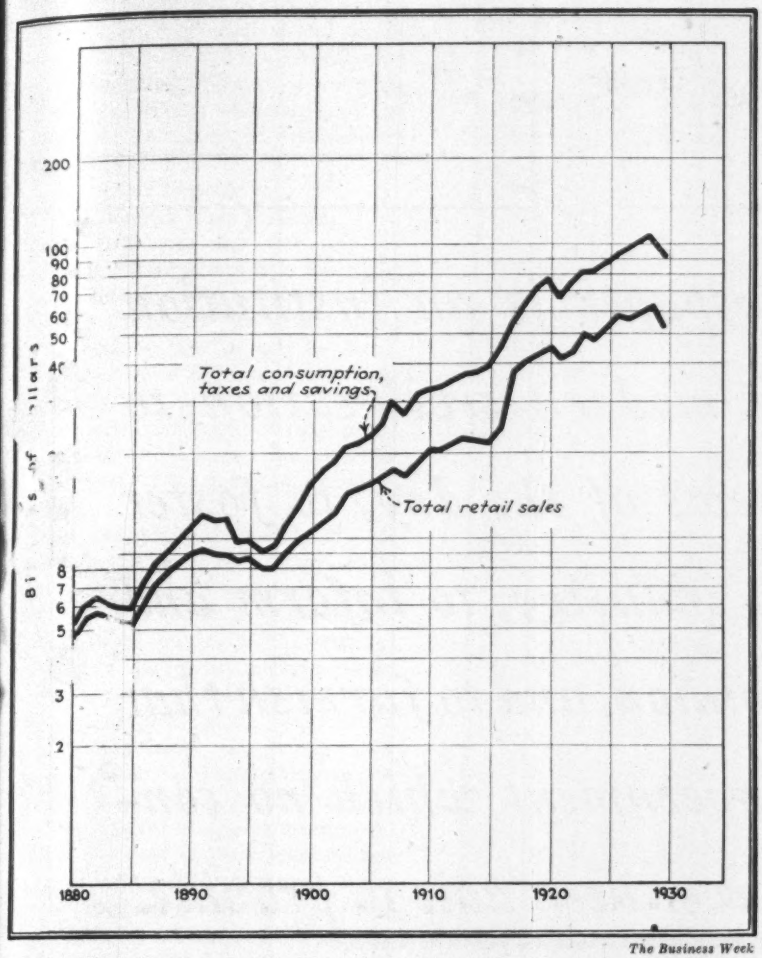
The American Consumer Market

Total Value of Goods and Services Bought, Taxes Paid and Savings by Individuals in the Continental United States

(Millions of Dollars)

	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Food	21,495	23,549	18,036	19,093	20,734	20,765	21,807	23,166	23,194	24,508	24,392	21,712
Housing	12,757	13,918	12,948	13,677	15,121	15,294	15,961	16,894	17,229	17,858	18,337	16,178
Wearing apparel	9,577	10,665	7,923	8,576	10,067	9,589	9,341	9,924	9,277	9,739	9,313	8,044
Transportation	6,998	8,006	7,110	8,400	9,914	10,516	11,247	12,300	12,281	12,811	13,815	12,360
Personal	6,933	7,868	6,610	6,926	7,394	7,736	8,213	8,839	9,390	9,831	10,497	8,903
Savings	6,042	6,741	5,371	5,750	6,290	6,425	7,446	8,530	10,054	12,650	12,543	7,892
Recreation	1,754	2,104	1,750	2,135	2,441	2,677	3,054	3,522	4,151	4,543	5,250	4,171
Health	1,896	2,155	2,104	2,270	2,482	2,672	2,847	3,088	3,286	3,578	3,776	3,330
Direct taxes*	2,364	2,268	2,033	2,219	2,026	2,114	2,282	2,364	2,448	2,433	2,685	2,457
Education	1,352	1,418	1,251	1,372	1,487	1,587	1,718	1,898	2,051	2,181	2,308	1,994
Social activities	1,140	1,271	1,224	1,212	1,335	1,444	1,530	1,626	1,735	1,864	2,030	1,874
Civil	594	650	640	710	753	783	836	900	972	1,085	1,155	1,203
TOTAL	72,902	80,613	67,000	72,340	80,044	81,602	86,282	93,051	96,068	103,081	106,101	90,118

*Not paid in connection with any other expenditure.



FIFTY YEARS OF SPENDING—*How the American consumer market has grown, and how retail sales of commodities have lagged behind total expenditures in the half-century, 1880-1930 inclusive*

rial are, as regards commodity values, the censuses of manufactures and agriculture, official retail price statistics, special studies of retail mark-up practices, and tabulations of trade organizations in specific lines of products. As regards housing consumption, the F. W. Dodge Corporation has been indispensable; for the savings figures, every official and private source of financial data has been used; for transportation, the automotive trade organizations, and the I.C.C. Throughout the study, and especially in connection with the study of service expenditures, the trade associations have been an important source of information and helpful in checking estimates independently made.

The results, of course, cannot be more accurate than the government statistics which are the basic material for most of the study; and they are subject to revision as later and more complete information becomes available from official and other sources.

In some instances, it has been necessary to arrive at the final figures by elaborate and indirect processes of elimination, but every method of excluding duplications, cross-checking the data, and reaching a reasonable estimate has been used. In all cases where the margin of error may be large, the item is of such small significance as not to affect the totals. Wherever there has been a marked discrepancy between estimates, the benefit of the doubt has always been given to the lower figure, so that the results represent the most conservative conclusion and are probably low. Where direct statistics on individual items were not available for every year of the period, the intervening years have been interpolated in various ways.

Over 1,000 distinct items of consumption, savings and direct taxes are covered, and, so far as is known, nothing of any significance in the individual budget is omitted. Wherever possible, allowance has been made for the value of goods produced by the individual consumer himself, as in the case of food produced and consumed on farms, so that the results represent the value of what is purchased by consumers in the market. In no case has any account been taken of so-called "imputed consumption," as in the use of houses, furniture, automobiles, not represented by current outlay, so that the results are comparable with the estimates of total current money income of individuals.

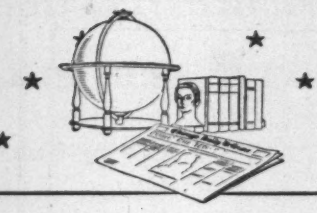
Exports, Imports Included

Exports and imports of goods and services and other foreign transactions affecting consumer expenditures have been allowed for throughout, so that the figures represent consumption of both domestic and foreign goods and services purchased by all individuals in the continental United States. The amount spent outside the United States by domestic consumers for goods, services and savings, however, is relatively small, amounting in 1929 to about $4.46 billions or 4.2% of the total for that year, and nearly a third of this was for savings, so-called.

There is room for much difference of opinion as to the proper description and classification of the hundreds of items included, but the basis of the choice made will be clearer when each of the classifications is considered in later articles. In the summary table in this article the "Civil" classification, used throughout the study, has been retained, although it includes some items like expenditures for marriage, divorce, legal fees, burials, which might be considered rather personal, and some, like fines and naturalization fees, which are paid to government and might be included under taxes. Some fees and other payments to government are included in connection with items appearing under other heads, so that "Direct Taxes" does not cover all such payments by individuals. Customs duties, excises and other taxes passed on to the consumer in the price of the commodity or service are not segregated.

Comparison With Census

The nature and results of the study should be clearly distinguished from those of the Census of Distribution. The latter, covering only the single year 1929, was essentially a census of sales of certain general classes of commodities and a few special services, like automobile servicing, by certain types of distribution agencies. Its primary purpose was not to show the total amount of all goods and services or of particu-



"The newspaper is an institution developed by modern civilization to present the news of the day, to foster commerce and industry, to inform and mold public opinion, and to furnish that check upon government which no constitution has ever been able to provide."

The creed of the Chicago Tribune appearing daily at its masthead

★

IN ORDER to prosper there is no great call for a newspaper to go beyond presenting the news —promptly, accurately and entertainingly.

But for the Chicago Tribune this news requirement has been merely a starting point —a small part of its purpose. Born 85 years ago in storm, nurtured in strife, growing up with a raw, pioneer town it soon became more than a mere newspaper—a GREAT newspaper.

Chicago and the Tribune have grown big together. They are inseparable in purpose and ambition. The public has learned to rely on the Tribune "to foster commerce and industry, to inform and mold public opinion and to furnish a check upon government. . . ."

Because of the Tribune's commanding position in public confidence it has produced more outstanding advertising successes than any other Chicago newspaper. It dominates in circulation—150,000 more in Chicago and suburbs, 238,000 more in the entire Chicago area, than any other paper.

Statistical yardsticks prove the Tribune's power and performance as an advertising medium. But over and beyond that statistically proved supremacy stands the inescapable fact that the Tribune is the voice of Chicago. Which is why advertisers say:

"if you're not in the TRIBUNE you're *not* in CHICAGO"

CHICAGO, TRIBUNE SQUARE • NEW YORK, 220 EAST 42ND ST. • BOSTON, 718 CHAMBER OF COMMERCE BLDG.
ATLANTA, 1825 RHODES-HAVERTY BLDG. • SAN FRANCISCO, KOHL BLDG.

Average total net paid circulation, March, 1932: Daily, in excess of 815,000; Sunday, more than a million

-lar commodities bought by consumers from all sources, but to throw light on the structure, organization and conditions of wholesale and retail distribution of commodities. Neither a complete breakdown between wholesale sales and distribution to consumers by the agencies covered, nor a breakdown by commodities could be made.

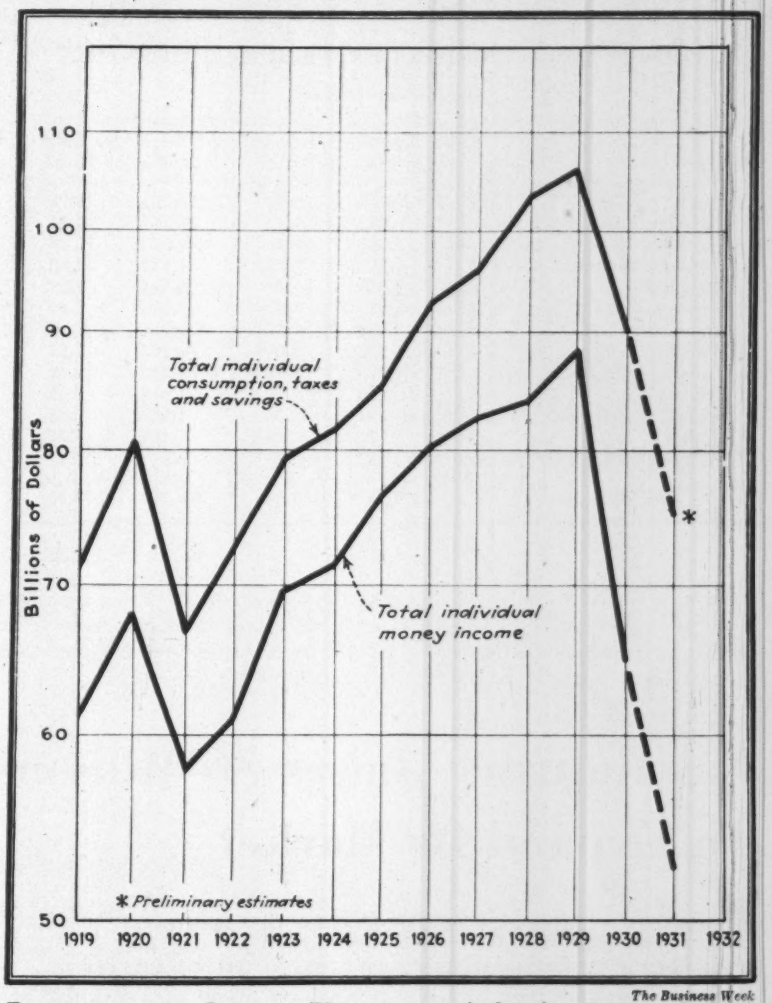
Retailers Lose Position

In consequence its totals are far lower than those arrived at in this study, and the total for 1929 is only about half as large. As one of the accompanying charts suggests, and as will be shown later, retail sales of commodities have apparently been increasing less rapidly than the total consumption of goods and services and no longer reflect the rate of expansion of the consumer market as a whole.

The essential significance of the figures in this study is that they set up for the first time a complete budget of the American people as consumers, a comprehensive picture of the standard of living in this country during a period of great prosperity, and of the shifting elements of that picture over twelve years of rapid change in consumer habits and social customs. The figures summarized on page 14 and charted with this article are the closest approximation possible on the basis of present knowledge to the amount of money actually spent by the American people each year for living expenses, savings, and governmental services. But it is most important to note that the value of goods and services consumed is not necessarily exactly the same thing as the amount of money spent for them by consumers, for much is consumed that is not fully paid for by individual consumers, and individuals pay for much that they never consume.

Interesting Discrepancies

Institutions and corporations buy some consumer goods and services which their inmates or employees consume, and great amounts of goods and services are sold below cost or at a loss year in and year out, all of which increases the amount consumed in comparison with the amount paid for it. Likewise, on the other side of the ledger, the purchasing power of individual consumers is increased over their recorded income by consumer credit, by proceeds of sale of assets, trade-ins, expense accounts, debt redemption, bribes, bootlegging, racketeering, and odd jobs. Finally, as the experience of recent years has sadly emphasized, some of their savings really turn out to be expenditures without return.



The Business Week

EXPENDITURE AND INCOME—*This picture of the American pocketbook sums up 13 years of American business and standards of living in good times and bad, shows how actual consumption exceeds income*

All of these considerations enter into the amazing fact brought out in these estimates that the value of the goods and services consumed by individuals, together with direct taxes and savings, runs consistently much higher than the estimated total money income of the people of the country. Toward the end of the series some attempt will be made to account for it. For the present the figures on page 14 should be regarded as a fair picture of the value of the goods and services *actually consumed,* by individuals in this country, whether they pay for them or not, together with the savings made, whether they keep them or not.

The Inventory Problem

Wastage, spoilage, and breakage of goods are allowed for in these figures, but changes in inventories from year to year are not. There can, of course, be no inventory of services; they must be currently consumed, and their proportion has risen steadily from a third to two-fifths of the total in the period covered. All evidence is that year to year changes in inventories of finished consumer goods are insignificant in the totals and could not account for an error of more than 2% either way. Estimates of the Federal Reserve Bank of New York indicate that over- or under-production of *all* manufactures in comparison with current demand has never been in excess of 5% at any time since 1919. It is safe to say that the consumer goods as well as services produced each year are pretty completely consumed or sold at some price, whether fully paid for or not. The actual amount paid for them lies somewhere between the estimates of recorded money income and the tables here given of the total value of the goods and services consumed, taxes paid, and money saved by individuals.

So far only one attempt has been

Average Annual National Expenditures, 1924-1927

(In Million Dollars)

	Great Britain	Per Cent of Total	United States	Per Cent of Total
Food	$5,770	29.06	$22,233	24.91
Housing	2,982	15.02	16,345	18.31
Clothing	2,067	10.41	9,533	10.68
Transportation	1,138	5.73	11,586	12.98
Personal	2,058	10.37	8,544	9.57
Savings	1,517	7.64	8,113	9.09
Recreation	450	2.27	3,351	3.76
Health	318	1.60	2,973	3.33
Taxes	1,778	8.95	2,302	2.58
Education	225	1.13	1,814	2.03
Social activities	294	1.48	1,584	1.78
Civil	38	.19	873	.98
Miscellaneous and Balance	(1,221)	(6.15)	.....	.....
TOTAL	$19,857	100.00	$89,251	100.00

made to construct a similar estimate for a foreign country. The table above, showing Feavearyear's estimates of the average annual national expenditure for Great Britain in the years 1924-27, makes a striking contrast with the United States in its picture of the standard of living of the two peoples.

Gas Industry Raises $6 Millions To Expand Its Market

Remembering what happened to the iceman, appliance manufacturers organize an offensive

GAS appliance manufacturers are organizing a national advertising and promotional campaign to popularize the use of gas-burning appliances. They propose to spend $6 millions in three years, $2 millions annually through the manufacturers' section of the American Gas Association.

Invasion of the normal market for gas and gas-consuming devices by the electrical industry has been in progress for some years. However, it did not begin to look like an actual threat to the prosperity of the gas industry until manufacturers of electric ranges, after gaining a foothold in many territories, announced a nationwide campaign designed to sell 250,000 ranges in 1932 and 500,000 annually thereafter.

Heard the Warning

Gas appliance manufacturers remembered that when the electrical industry set out to sell one million refrigerators in 1931, it came within a small percentage of its goal. They decided that, unless they promptly proceeded to offset this organized offensive by a counter-offensive at least equally well-planned, they might suffer an irreparable loss of markets for their products.

Based on the results of a special 2½-year study of the industry, the proposed campaign is expected to insure continued stability and future growth. Public education in the understanding and proper use of gas-burning appliances for home or industry will be attempted, with special attention to broadening of markets for the major items.

New designs in home appliances, such as ranges, water heaters, heating plants will be encouraged to increase modernization or replacement buying.

The demonstrated economy, cleanliness, and convenience of gas as a fuel will be capitalized wherever current rates justify comparison with fuel oil and coal prices.

Similarly the industry may be expected to concentrate much effort on the further extension of the use of gas in industry. Since pipe-line distribution has made natural gas available at low cost, gas-consuming devices have been greatly improved, new uses developed. With a suitable rate-structure these prove equally economical where only manufactured gas is available.

Funds for the campaign are being raised on the basis of total annual net billings of participating companies. Promotional activities, advertisements, cooperative campaigns with local dealers and utilities will be organized and timed to meet seasonal requirements with expenditures adjusted to the amounts subscribed by all the manufacturers of the various types of appliances.

In addition to participating in this cooperative industry campaign, each manufacturer is expected to carry through his normal advertising and proportional activities to supplement the general effort.

Utility Cooperation

Gas-producing utility companies will cooperate by sponsoring special local campaigns individually and in cooperation with local hardware, plumbing, furniture, department store, specialty dealers and mill supply houses.

On the manufacturers' national advertising committee of the American Gas Association are officials of the largest companies in the field, including Detroit-Michigan Stove Co., American Stove Co., Ruud Mfg. Co., Cleveland Heater Co., Bryant Heater & Mfg. Co., Electrolux Refrigerator Sales, Inc., Everhot Heater Co., Tappan Stove Co., American Gas Products Corp., Glenwood Range Co., Standard Gas Equipment Corp., Geo. D. Roper Co., Surface Combustion Co., Vesta Gas Range & Mfg. Co.

While the campaign is entirely financed by manufacturers of appliances, is expected to benefit them most, gas producers hope that it will turn the tide of declining gas sales. Sales of natural gas declined from the peak of 1,941 billion cubic feet in 1930 to 1,584 billions in 1931, while manufactured gas dropped from the 1929 peak of 524 billions to 398 billions in 1931.

Industrial Index Explains

However, most of the declines are accounted for by the reduced activity of industry which cut its 1931 natural gas consumption 22% below the 1930 figure while domestic consumption dropped only 3.2%.

A breakdown of manufactured gas consumption during 1931 shows that the footage of domestic users dropped 16% under the total for the peak year 1929. House heating consumption fell only 4% but industrial users took 44% less, although they still accounted for 70% of all natural and manufactured gas consumed.

J. WALTER THOMPSON COMPANY

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Complete advertising service in
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Sao Paulo • Buenos Aires • Port Elizabeth • Bombay • Sydney

Steel Canvasses Opinions On Another Wage Cut

PERVASIVE rumors of another wage and salary cut sweep the steel industry. Despite the fact that it has no official sponsor and that some steel executives have warned against another cut now, reports persist that a second 10% slash on top of that made effective last October (*BW—Oct7'31*) is on the cards.

Reasons given for it are: the industry is operating at only 25% capacity; there are few signs of definite upturn in orders; steel mills have made all possible operating economies but prices remain well below cost. But some leaders point out that the same conditions were cited to support the wage cut last year and add that it had no effect upon them. Prices continued to decline; are now 9% below those of Oct. 1 and have wiped out all the gains made by reduced payrolls which, even if fully effective in reducing costs, could not have lowered prices more than 2%.

Would Be Under Pressure

Although the industry is still battling further price deflation and, within recent weeks, has been generally successful in holding its ground, there is little doubt that automobile buyers like Mr. Ford, who are now active in the steel markets, would fail to push their advantage if wage cuts were made. And the industry has given little evidence that it could hold prices in the face of such pressure.

Besides all this the current week has been very encouraging for steel. Operations are definitely increasing. Youngstown Sheet & Tube Co. is reopening 12 sheet mills; Mahoning Valley Steel Co. is reopening 4. Reopening of 2 blast furnaces in Birmingham will bring its output to 50% capacity. In other districts renewed activities will raise the average operating ratio of the industry several points this week, with good prospects of still more business in the future as the automotive program gets under full way.

Economies Have Helped

With the drastic economies which steel mills have made, the upturn need not be great to put them on a profitable basis. Republic Steel Corp. asserts that it can make profits at 40% capacity operations; a large independent can break even at 35%; Bethlehem can make money at 50%; other companies in the industry have improved their position similarly.

These estimates are based on current prices which are admittedly below cost. Many careful observers believe that a much stronger and more concerted effort to raise prices to economic levels would have a much more beneficial effect on the industry, not only currently but for the future, than any further reduction of the already drastically deflated income of thousands of steel workers.

Keystone

STORE-DOOR BANKING—*How one Los Angeles bank serves small depositors in outlying sections. This "motorized branch" carries a regular teller*

Low-Priced Imports Spoil Hopes Of Stabilizing Iron and Steel

THE iron and steel industry is greatly perturbed over the attacks being made upon its price stabilization effort by imported goods. Volume of imports has shown no tendency to increase; in fact, total imports for the first 2 months of 1932 were nearly 12,000 tons or 17% less than in the same period last year. But there has been no halt in the decline of prices of imported products and many of them now sell at levels which the domestic industry cannot hope to meet. Even a relatively small volume of sales at such cut prices has greatly increased the difficulties of the domestic industry in its thus far futile efforts to stabilize price levels on a profit-making basis.

Since December the price of Swedish steel strip has dropped $6.20 a ton. Since England went off the gold standard, price of Swedish iron bars has declined $26 a ton. Foreign reinforcing bars are selling for $14 a ton less than the domestic product. Steel floor plates which domestic producers sell for about 3.55¢ a lb., are duplicated by importers for 1.70¢ to 2.10¢ a lb.

Recently a large order of Welsh tinplate was sold to a Pacific Coast canner at $3 a base box; best price domestic consumers can offer is $4.75. Cotton bale ties from England are selling for 75¢ a 45-lb. bale, lowest in years. Imports of pig iron are particularly bothersome. About 15,000 tons were imported in January and February, much of it for the Atlantic Coast markets. Imported pig sells at Boston for $13.75 a ton, at New York for $14.50; domestic prices, f.o.b. furnace, average around $16 a ton.

The immediate cause for the raid on the American market has been the shutting of the important English market by new tariff schedules which left Continental mills with no outlets.

Thus far imported goods have not penetrated far into the interior. But a few important shipments have been

made to the Great Lakes district and the domestic industry is not at all assured that this market will not be pushed harder in the future. In Texas and California, particularly, imports have been of considerable importance. Cotton-exporting Texans believe they must show reciprocity in buying steel to insure markets for their cotton, they also point to high freight rates from interior steel mills. On the Pacific Coast from 20% to 40% of the total consumption of bars, light structural shapes, and wire products last year were imported although the total imports were only 6% of total consumption of all iron and steel products.

Little to Be Done

There seems to be little to be done about it. The steel industry, along with many others, is actively behind the Hawley bill, which would equalize tariffs by compensating for depreciation of foreign currencies. The industry is aware, however, that most steel imports come from Belgium, France, and Germany, which would not be affected by the Hawley bill. The one ray of encouragement seems to be the fact that it is unlikely that foreign producers are making any more money on their export business than domestic producers are on their domestic sales. This is looked upon as one explanation of why import volume has not increased, since there has been little difficulty in selling all that has been brought in.

Wool Industry Talks About Stabilization

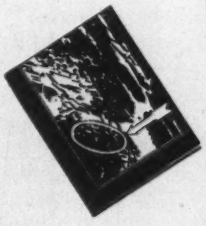
At a meeting in New York last week plans were made for the organization of what has been tentatively called a "Stabilization Council" for the wool industry which will embrace all factors from the grower to the retailer.

The meeting authorized Franklin W. Hobbs, president of the National Association of Wool Manufacturers, to invite each division of the industry to name 2 men as members of a general council to be called early in May. The general opinion appears to be that industry-wide cooperation behind any plan is the first and most important result to be achieved; when this is done and a general program laid out, detail problems will be tackled.

Discussion at the meeting focussed on anti-trust laws, lack of coordination, unsuccessful promotion efforts, inadequate statistics, and lack of sincerity and honesty of purpose as factors entering into the industry's current condition.

MORE THAN 3 1/2 TIMES AS MANY RETAIL SALES IN EVERY SQUARE MILE OF THIS TERRITORY . . .

Send for this 16-page booklet describing the Boston Wharf Company and its profit-making advantages to you. Please use the coupon.



Seven and one-half per cent of the nation's sales in 2% of the national area. That's the story in New England . . . where people are *still buying*. There is always business in this market if you're geared for *service*.

Hundreds of manufacturers have learned that the one most practical approach to this business is a branch location in the territory. This may be the logical step for you.

The *Boston Wharf* property . . . a fully-developed industrial section equipped with facilities for economical manufacturing and warehousing . . . is located but ten minutes' distance from the heart of Boston — yet rents, insurance and other charges are relatively low.

From such an operating base, shipments to your most distant New England customer will arrive in 12 hours or less by rail, 24 by truck, and 36 by coastwise steamer.

BOSTON WHARF COMPANY

Industrial Service Department—Dept. BWA

BOSTON WHARF COMPANY, 259 Summer Street, Boston, Mass.

Please mail your FREE booklet which tells how to reduce distribution costs and build up profits in New England.

Name ..... *Position* .....

Company and Address .....

International News

THEIR BILLS HAVE A BETTER CHANCE—*Senators Glass (left) and Wagner, caught together at the short selling hearing. The modified Glass bill will probably come through in its new form. And the times are more receptive to Senator Wagner's proposal to expand federal employment activities*

Many Employment Experts Rally Behind Wagner Bill

SENATOR WAGNER has reopened his drive for a national system of employment exchanges. His bill to that end was vetoed last session after it had won a 3-year battle in Congress (*BW—Jan 20'32*). There is little doubt that the new one will be repassed in both houses but the President's subsequent action is uncertain.

Few expected him to veto the bill last year and his last-minute action was widely and severely criticized. The substitute system devised by Secretary of Labor Doak has still to receive its first kind word from any employment expert in the country. They are agreed that it is quite inadequate and a useless waste of government money.

Still Needed

Just to reassure himself that there is still need for his measure, Senator Wagner has obtained opinions from some of the best known and most competent employment experts in the country. In their statements he finds justification for the renewal of his fight.

Benjamin M. Squires, arbitrator for the men's clothing industry in Chicago, chairman of the general advisory board of Illinois in the operation of its employment system and a member of the University of Chicago faculty, wired Senator Wagner: "It is my considered opinion that federal employment system as now organized is nothing more than a ballyhoo serving as a camouflage for political patronage and without any evidence of effective placement or cooperation."

"Infinitely Superior"

Bryce M. Stewart, Industrial Relations Counselors and employment consultant for the President's Emergency Committee on Employment, wired: "A plan of federal-state cooperation in a nationwide system of employment exchanges as proposed in your bill seems infinitely superior to the present dual system."

Paul H. Douglas, economist of international repute, author of many books on employment and a member of the University of Chicago faculty, wrote: "I believe the Wagner Bill is preferable to the national system at present operated by the Department of Labor."

Finally, Sumner H. Slichter, well-known economist of Harvard University, asserted that the present Department of Labor system is far inferior to that contemplated under the Wagner bill. Continuing, he said: "In fact the present organization is practically useless and should be abolished. It is not operated by employment experts but by political appointees. . . It has not and in my judgment never will win the confidence of employees."

New Ruling Eases Way to Holding Company Control

BY agreeing to eliminate the stock divestiture clause from the railroad holding companies bill (which would have given the I.C.C. authority to compel the surrender of rail stock holdings interfering with its consolidation plan) the House Commerce Committee has removed the roads' principal objection to the bill designed to bring holding companies under the commission.

Retroactive to 1920, when Congress first wrote railroad consolidation into the law, this provision would be a threat to the holdings which the Pennsylvania and the Van Sweringens have acquired in shaping their 4-system plan of consolidation. But if made to apply only to acquisitions in the future, the trunk lines would not be much perturbed, as practically all of the properties needed to round out their systems are already in the bag.

What the roads will do if the commission rejects the 4-system plan is still a question in their own minds.

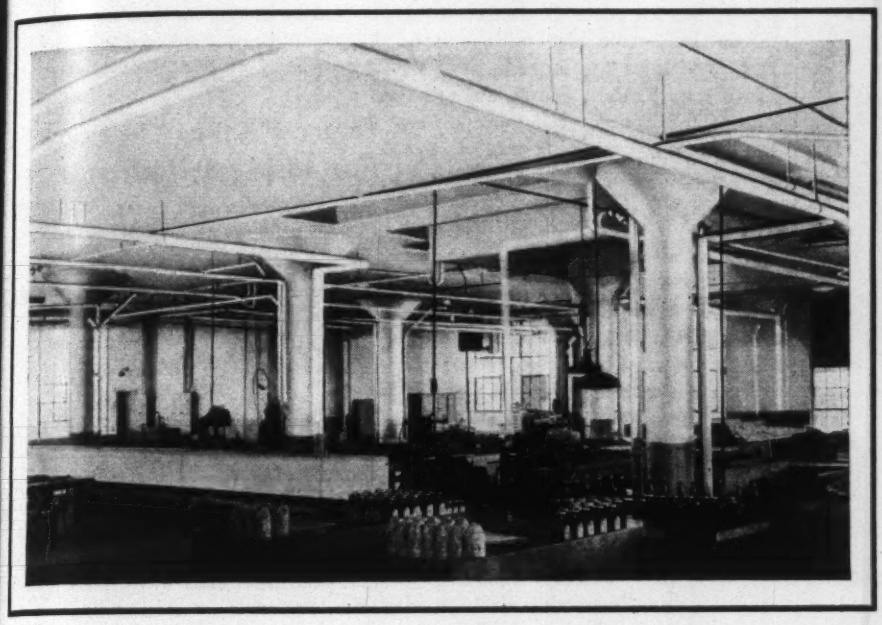
With the divestiture clause out, the commission at least will not have a bludgeon with which to enforce its will. Without legislative authority, the I.C.C.'s only alternative would be the round-about method of prosecuting for violation of the Clayton Anti-Trust Law.

New Rail Line Blocked; Truck Service Adequate

EXISTENCE of adequate rail service has been given many a time by state regulatory bodies as the reason for opposing extension of motor line service. Now a railroad is denied the right to open a new rail line because of the motor service available.

The decision came from the Interstate Commerce Commission last week in answer to the Texas & Pacific Railway's request for authority to construct 232 miles of new line in the Staked Plains of Texas. The commission agreed that the existing rail lines afford convenient access to the most important markets in this region and added that the increasing use of automobiles and trucks tends to lessen the need for additional rail service.

"Dark Surfaces are Sponges *that soak up Your Profits"*



says E. D. TILLSON
Illuminating Engineer, Commonwealth Edison Co., Chicago

Interior of the Crosse & Blackwell plant. Ceilings and walls painted with Barreled Sunlight insure the maximum reflection of daylight and illumination from the modern, efficient lighting installation.

"Painted lastingly white . . . they reduce production costs"

AT a time when every industrial executive is fighting to cut costs, what Mr. Tillson says is worth thinking about. He continues:

"Scientific tests show that white interiors which have turned yellow . . . which are covered with dirt . . . or interior surfaces which are unpainted . . . may reduce illumination as much as 60%, slow down production of your workers 10% or more."

Time-Tested in Scores of Famous Plants

American Tobacco Co.
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Hundreds of America's industrial leaders have found the way to put *all* potential candle power to work . . . to keep it at work. They paint interiors of their plants with Barreled Sunlight.

The Pioneer 25 Years Ago . . . The Leader Today

Over a quarter of a century ago Barreled Sunlight blazed a new trail . . . pointed the way to better lighting. To the dingy interiors in which millions of workers toiled, it brought the cheerfulness and cleanliness that only *white* ceilings and walls can give.

In the *modern*, scientifically lighted plant, its rôle is even more important. For the smooth, non-porous white surface of Barreled Sunlight resists light-absorbing dirt, washes like tile, retains its high reflective value *longest*. (See guarantee below.) The booklet, "More Light with Lasting Cleanliness," contains more detailed information about Barreled Sunlight. Write for it to the U. S. Gutta Percha Paint Company, 1-DD Dudley Street, Providence, R. I. Branches or distributors in all principal cities. (For Pacific Coast, W. P. Fuller & Company.)

GUARANTEE—Barreled Sunlight, The Rice Process White, is guaranteed to remain white longer than any oil gloss paint or enamel, domestic or foreign, applied under the same conditions and according to our specifications. If it does not do so, we will give free enough Barreled Sunlight to repaint the job.

Barreled Sunlight

Reg. U. S. Pat. Off.

***Reflects Light . . . Remains White . . .* LONGEST**

WHY I STAY AT THE NEW YORKER

Actual letters from prominent business men

Finest food in New York

. . . reasonable prices

says Philadelphia Manufacturer

"WHETHER you go for a hurried bite to their speed-counter Coffee Shop or dine leisurely in their beautiful Terrace Restaurant, you always get well-cooked, appetizing food at the New Yorker, flavored and served exactly right. Their Empire Tea Room and Manhattan Room are equally good. And all prices are surprisingly reasonable."

The best costs amazingly little—at the Hotel New Yorker. 2500 rooms, *over five hundred for only $3.50 a day, single.* (See detailed description below.) Stay at the New Yorker once and you'll come back again. Just three minutes from the Pennsylvania Station by private tunnel.

ALL THIS FOR AS LITTLE AS $3.50 A DAY

Quiet, airy, outside single room with tub and shower bath, luxuriously comfortable bed, circulating ice water, Servidor, bedside and dresser lamps, full-length mirror, *Stromberg-Carlson radio (four programs).*

FREE—Novel illustrated booklet, "A Vertical Village", sent postpaid. Address Room 100.

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BOOK-CADILLAC HOTEL · DETROIT

Also under Ralph Hitz direction

I.C.C. Counsels Moderation In Regulating Railroads' Rivals

WHILE Senator Couzens and his Commerce Committee are still pondering over their bill for the federal regulation of interstate motor lines (*BW—Apr 13'32*), the Interstate Commerce Commission has come out with specific recommendations to Congress.

In the main, these follow the provisions of the Couzens bill more closely than they do the sweeping plan of regulation suggested by the I.C.C. examiner, Leo J. Flynn, last January (*BW—Jan 13'32*).

In contrast to the Flynn proposal, the commission's report recommends that buses alone be placed under complete federal control at this time, limiting the regulation of trucks for the present to permits and liability insurance. It would make haste slowly on truck legislation: there are many practical and legal difficulties involved and little experience to draw upon.

It would require the buses to obtain certificates of public convenience and necessity; carry liability insurance or furnish indemnity bonds; file and adhere to scheduled fares—which the I.C.C. would have the right to repeal, if found unreasonable, but not to fix.

Flynn Suggestion Ignored

Buses, trucks, railroads, and water lines would be authorized but not required to establish joint routes and rates, with the latter subject to I.C.C. jurisdiction. The railroads would be given express authority to engage in motor operations but, probably because it was considered unnecessary, the commission eliminated Examiner Flynn's proposal that the Clayton Act be amended to permit rail carriers to acquire existing motor lines. The commission also dismissed his recommendation that motor lines be required to carry mail, as well as the suggestion that the railroads utilize the Railway Express Agency for handling l.c.l. freight, while renewing the hope that freight-forwarding and express-freight companies would be brought under its jurisdiction.

That the commission has been anxious to show no prejudice in favor of the railroads is evident from its rejection of Examiner Flynn's proposal that, before issuing a permit to a motor carrier, consideration should be given to existing rail service.

The harm that the "unrestrained competition" of buses and trucks does to the railroads and to motor transportation itself, the I.C.C. would seek to minimize by reasonable regulation, rather than by suppressing new means of transportation which increase and improve the service offered to the public.

Express Agency to Truck For Chicago Railroads

MUCH has been said, but nothing done, about placing the Railway Express Agency in the service of the railroads for highway trucking. What trucking the rail carriers now perform is done under arrangements with local truck operators or through their own motor subsidiaries.

However, a start is soon to be made by the Chicago railroads in utilizing the Express Agency for highway business. Rail carriers touching other large cities may follow suit.

The service will extend between 50 and 100 miles each way from Chicago, with terminals at Milwaukee in the north, Aurora in the west, and South Bend in the southeast. Operations are expected to start within a month.

New energy has been put lately behind the idea of enlisting the agency for the railroads' trucking service.

Speaking at his stockholders' annual meeting last week Fred W. Sargent, president of the Chicago & North Western, urged rail carriers to consolidate all their trucking operations in the railroad-owned Express Agency, rather than attempt to perform such services individually through local truckmen or motor line subsidiaries. Such consolidation, he said, would strengthen the railroads' position in fighting their highway competitors, greatly reduce the cost of organizing and operating individual motor lines, eliminate duplication.

Under his proposal, the Railway Express Agency would be made into a giant highway and terminal rail subsidiary, handling all less-than-carload freight for all lines, rendering highway service where it is cheaper, performing all transfer services, collections, and deliveries in large cities, and acting as a freight-forwarding company.

The long-discussed railroad plan of providing door delivery in New York contemplates the use of the Railway Express Agency.

Miners' Picks Are Idle But Their Hoes Are Busy

CONSOLIDATED COAL CO., largest coal property in the world (second largest bituminous producer in the United States) is also the world's largest promoter of employee-gardening. For this and other efforts to relieve unemployment and part-time employment distress it has just been singled out for praise by the President's Organization for Unemployment Relief.

Starting in 1931, with realization that full-time work could no longer be provided for all its employees, the company placed 2,000 acres of land under cultivation, distributed 5,000 packets of seeds and got 4,000 gardens planted. These gardens produced $400,000 worth of fruits and vegetables. An even larger program, expected to yield $600,000 worth of produce, is under way.

Home Canners Busy

A considerable share of the crop was canned for winter use. Consolidated stores sold 5 more carloads of sugar in 1931 than in 1930 and 5 more carloads of mason jars. One family put up 1,200 quarts of fruit, 72 quarts of pickled beans, 65 quarts of kraut, 120 quarts of corn, ½ bushel of dried beans. A single individual went over the top—of the stove—with 662 quarts of canned goods, 100 quarts of kraut, 120 quarts of apple butter.

Agricultural departments of state colleges in Consolidation districts have been called in to teach employees how to make gardens. This year the company is offering community prizes.

But gardening is only the newest feature of the company's welfare program which popular opinion credits in large part to the heavy Rockefeller interests in the company.

Group Insurance

Nearly 3 years ago a group insurance plan was inaugurated; 98% of the employees subscribed voluntarily. Today, despite short work and general distress, 90% still are enrolled. The plan pays death benefits of $1,000 to $2,000 and sickness or accident benefits of $12 a week for a maximum of 13 weeks. In 2 years and 9 months of operation, a total of $413,000 has been paid in death benefits; sickness and accident benefits have totaled $372,000. The value of these payments is evidenced by the fact that only 18% of the families who received them had other insurance.

Company medical and health service employs 23 full-time and several part-time physicians, 12 public health nurses, several dentists; runs a 50-bed hospital.

It tells prospects where to find your dealers

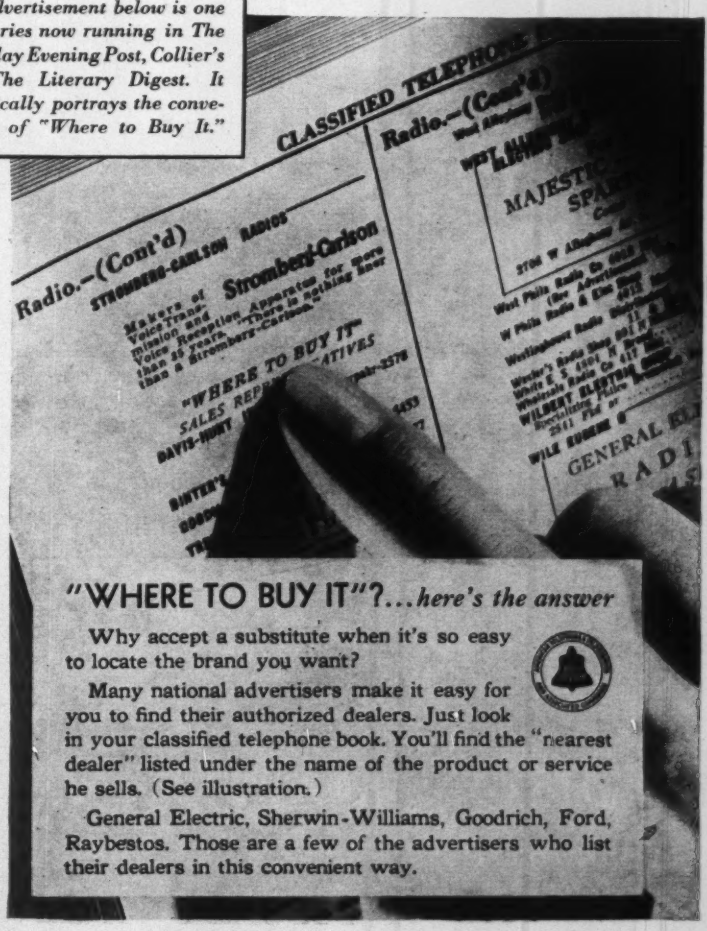
It's not only important that your prospects know where to buy your product or service. It's *imperative!*

"Where to Buy It" tells them *exactly* where to find your local dealers. Here's how it works: you list your authorized local dealers under your own trade name in the classified telephone books wherever you have distribution. Then you complete the circuit by referring people to "Where to Buy It" in all your advertising and radio broadcasting.

Alliance Insurance, Mimeograph, Hertz Drive-Ur-Self and Holland Furnaces are a few of the nationally known names now listed in "Where to Buy It."

Discuss the possibilities of this service with your advertising agency or the Trade Mark Service Manager, American Telephone and Telegraph Co., 195 Broadway, New York, N. Y. (EXchange 3-9800)—*or* 208 W. Washington St., Chicago, Ill. (OFFicial 9300).

The advertisement below is one of a series now running in The Saturday Evening Post, Collier's and The Literary Digest. It graphically portrays the convenience of "Where to Buy It."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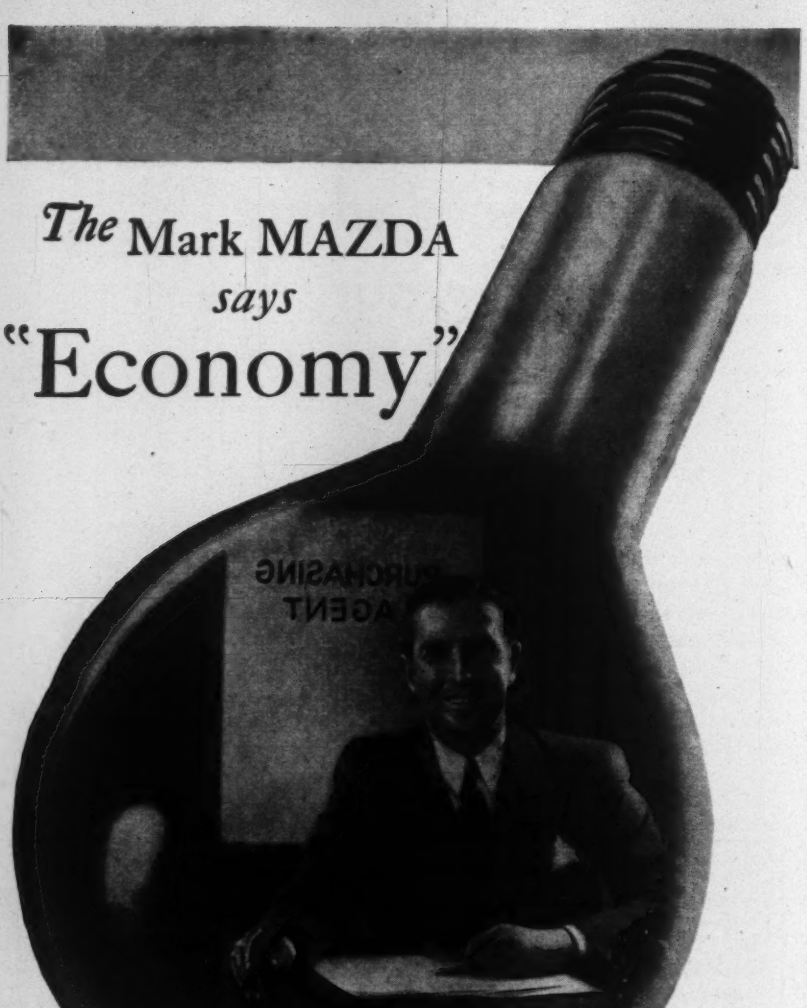
Radio.—(Cont'd)
STROMBERG-CARLSON RADIOS
Makers of Stromberg-Carlson
"WHERE TO BUY IT"
Radio.—(Cont'd)
MAJESTIC
GENERAL ELECTRIC
"WHERE TO BUY IT"?...here's the answer
Why accept a substitute when it's so easy to locate the brand you want?
Many national advertisers make it easy for you to find their authorized dealers. Just look in your classified telephone book. You'll find the "nearest dealer" listed under the name of the product or service he sells. (See illustration.)
General Electric, Sherwin-Williams, Goodrich, Ford, Raybestos. Those are a few of the advertisers who list their dealers in this convenient way.



The Mark MAZDA
says
"Economy"

IF ECONOMY is a watchword with you, then Edison MAZDA Lamps are right in harmony with your program. General Electric spends more than $1,000,000 a year in research and development to squeeze out of a tiny filament every bit of light that it can possibly give, and to do it with the greatest economy of current.

Poor lamps often waste enough current during their lives to buy several lamps of known high quality. To be sure you are getting lamps that will give all the light you pay for, insist on Edison MAZDA Lamps, product of General Electric's day-by-day development.

Don't stop with good lamps. Have good light to help you get the most out of every minute, man, and machine. Your local electric service company or General Electric will be glad to consult with you at your convenience. There's no obligation, of course.

EDISON MAZDA LAMPS
GENERAL ELECTRIC

Wide Reading

WHAT SHALL WE DO WITH OUR BANKS? H. Parker Willis. *Nation*, Apr. 13. Analysis of our chaotic system of independent banks and some concrete and pertinent proposals for reorganization.

WHERE SHALL WE PUT THE NEW TAXES? *Nation's Business*, April. The proposed new tax levies; why suggested, why opposed.

NEIGHBORS: A CANADIAN VIEW. *Foreign Affairs*, April. Economic and political relations of the U. S. and Canada as they have evolved in the last 20 years.

GOLD AND THE U. S. Max Winkler. *World's Work*, April. Shows the gains and losses which we as a nation may expect as the result of (1) maintaining the gold standard, and (2) abandoning it.

PROBLEMS OF PUBLIC TRANSPORTATION. *Transit Journal*, April. City, suburban, and interurban methods of transport with special consideration of maintenance and construction problems.

RAILROAD LABOR. *Fortune*, April. How capital won $210 millions from labor in a recent 3-act drama staged in Chicago.

HOW THE AUTOMOBILE INDUSTRY IS REVAMPING ITS MANUFACTURER-DISTRIBUTOR-DEALER RELATIONSHIPS. *Radio Retailing*, April. Details, with suggested application to the radio industry.

WHY FRIGIDAIRE HAS REDUCED PRICES. H. W. Newell. *Electrical Merchandising*, April. Increasing sales have made it possible, and profitable.

FIRST—CAREFUL, THOROUGH PREPARATION, THEN THE WAGE-INCENTIVE PLAN. A. J. Graf. *Executives Service Bulletin*. March. First develop and standardize modern methods; then adopt a wage-incentive plan. Experiences of a company which tried the plan and are encouraged by the results.

LEGAL ASPECTS OF CONTROL OF POWER. Henry Mills. *Barron's*, Apr. 4. Federal control is not imminent. The rights of states is an important factor.

COLOR INCREASES SHOP EFFICIENCY. T. J. Maloney. *Factory and Industrial Management*, April. Experiences in plants where color has been introduced.

REPORTS—SURVEYS

SOCIAL INSURANCE LEGISLATION. Metropolitan Life Insurance Co., New York, 70 pp. Original and present provisions of the unemployment, health, and pension systems in Great Britain, Germany, Belgium, Denmark, Italy, Switzerland.

SHIPPING AND SHIPBUILDING SUBSIDIES. Jesse E. Sangstad. Bureau of Foreign and Domestic Commerce, Washington, 611 pp., $1.10. Study of state aid to the shipping and shipbuilding industries in various countries of the world.

SURVEY OF THE DIRECT AND INDIRECT MEANS AT THE DISPOSAL OF FOREIGN BUYERS TO ENABLE THEM IN A NUMBER OF COUNTRIES TO ASCERTAIN THE QUALITY OF THE GOODS ACQUIRED BY THEM. League of Nations (World Peace Foundation, Boston) 153 pp., $1.40. Data on products from 33 countries.

Large Scale, Low Cost Housing Begins to Interest Investors

Five per cent and safety looks better now than it did in wild days of boom

ANY adequate provision of decent housing for the 55% of the families of the country with incomes of $1,000 to $2,500 a year must wait a much more rapid flow of capital into that field than so far has been available. There are some indications this may develop.

Plans and specifications are ready for projects which will supply modern home conveniences at $30 to $40 a month rent. A volume of capital which will be satisfied with an assured 5% return, instead of a risky 10% and 20%, is all that is needed to start a tremendous construction program which would not only be an immense impetus to general business but would also right a great social wrong—the uncivilized manner in which we force 75% of our population to live.

This was the consensus of the New York housing conference last week (*BW—Apr20'32*) where experts on all phases of large scale housing developments discussed the problems involved.

Philanthropy, So Far

The $70 millions already invested in housing of this type in the United States is only a drop in the bucket of need. So far, funds have been provided chiefly by philanthropists and foundations, more interested in the social than the economic aspects of housing. That the projects have all proved to be sound business, has been an agreeable surprise to pioneers; private investors still are skeptical.

While only 6,000 residential units have been built for families of less than $2,500 income during the past decade, private business has built 600,000 home units for families with higher incomes. The $1,000 to $2,500 annual income group is 16½ million families; the total market for the 600,000 houses and apartments of higher cost is the 1½ million families with incomes above $2,500.

New Viewpoint Necessary

To provide residential units which rent from $7 to $10 per room per month requires a new viewpoint toward housing problems as well as new methods of design and construction and, particularly, cheap money. Money costing 9½% to 12%, as does that used for most small scale housing projects, is out of the question. Speculative profits, whether or not achieved, cannot be considered when building for the low income groups. More than a dozen large scale housing projects completed and now in operation do demonstrate conclusively, however, that a safe yield of 5% can be assured.

Outlook Brighter

Investment bankers, insurance companies, foundations, and similar financial institutions are interested in such sound, long-term investments for their funds, but they are still skeptical of this new field. There are indications, however, that safety is beginning to exert an appeal and that more funds will be available in the next two years than in the past 10.

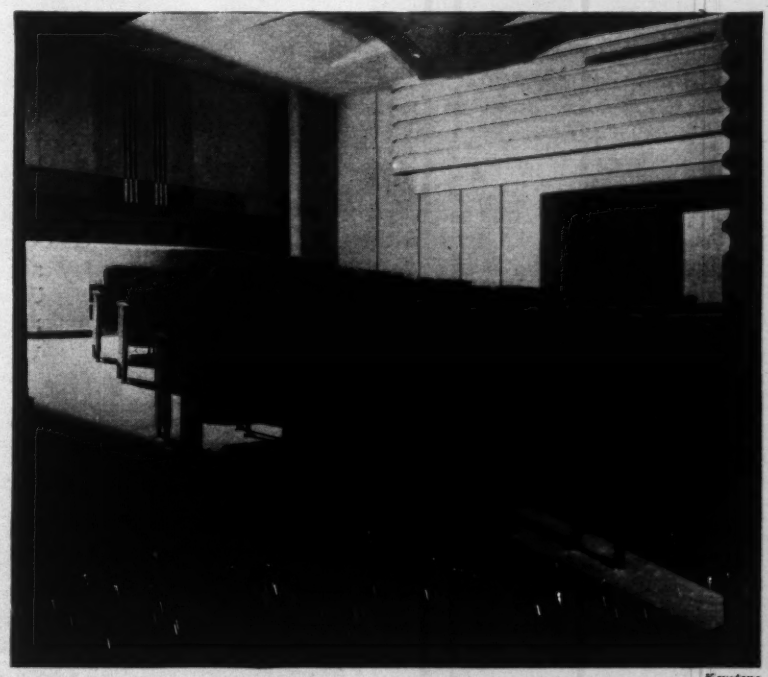
As a definite proposal of how housing corporations might be financed, William Sloane Coffin, vice-president of City Housing Corp., which has pioneered large-scale housing at Sunnyside and Radburn, offered to the conference a plan for a $25-million corporation with $5 millions in limited dividend common stock to be sold to material manufacturers, contractors, and others directly interested in the success of the project.

Social Value Important

Orrin C. Lester, vice-president, Bowery Savings Bank, said that banks require a sound business risk plus a high standard of public service to make large scale housing projects acceptable to them. He believes that most loan institutions would be interested in well planned, economic projects in which consideration for public welfare had received ample attention so that the permanency of the development would be assured.

Willard I. Hamilton, vice-president, Prudential Life Insurance Co., supported this view and asserted that lenders want more demonstrations of the economic validity of low cost housing before going much farther in their financial support. That this is not an ultra-conservative viewpoint is shown by the fact that Prudential has already completed one low cost housing project in Newark and has another and larger project under consideration.

Robert D. Kohn, president of American Institute of Architects, is apparently discouraged with futile efforts to get the usual mortgage money interests' support of large scale housing and rec-



Keystone

FOR TALKIES ONLY—*This theatre breaks with an old tradition: its new "parabolic" floor rises toward the screen to give greater freedom from eyestrain, its walls and ceiling are designed with an ear to acoustics. Everything contributes to the sole purpose*

ommends that they be forgotten and a drive made to interest the building industry.

Dwight L. Hoopingarner, executive director of the American Construction Council, has proposed a $500-million slum clearance investment securities issue to be privately floated for popular subscription, as a means of financing low cost housing projects and a spur to business recovery.

Southern Farm Loans Cut Cotton Acreage

STIMULATED by millions of taxpayers' dollars, agriculture is embarking enthusiastically on another crop year, apparently heedless of Farm Board advice that farmers plant less and receive more. Crop loans are being made at the rate of $2 millions a day and now total approximately $50,000,000.

No loan is made for the production of cotton or tobacco unless the applicant agrees to plant no more than 65% of the acreage he planted last year. This does not apply to anyone who, in 1931, planted 10 acres or less in cotton or 3 acres or less in tobacco. Every borrower must grow his own food and feed. No loan is being made to anyone who did not farm last year. Despite vigorous protests from the unemployed who have gone back to the land, the Secretary of Agriculture has refused to change the rule. Southern bankers also are making loans with the understanding that there is to be a similar reduction of acreage. Some reduction in cotton acreage is likely to result, offset to some extent by the planting of new ground in West Texas. Incidentally, it is that rapidly-developing area that is breaking the cotton market.

While much can be said for the humanitarian features of relief in this form, which this year will be extended to 10% of the nation's farmers, there is increasing recognition that it is establishing a dangerous precedent. An effort will be made to secure a declaration against it in the platforms of each of the political parties. Were it not for the federal loans, cotton acreage would have shrunk sharply this season.

New Bill Seeks to Get Cheaper Farm Loans

FARMERS recently have had to pay 8% or 9% for Federal Intermediate Credit Bank money, because the banks' debentures have not been readily saleable. The debentures are purchaseable by Federal Reserve Banks, but are not eligible collateral for loans to member banks. Under these conditions, 5% debentures have cost the farmer 4% premium—1% added by the Intermediates, 3% by local institutions.

The Norbeck-Steagall bill, reported out to both House and Senate, will make the debentures eligible collateral. This, it is believed, will make debentures saleable at 3% and loosen the flow to credit to farmers and livestock men, who last year discounted $122 millions of their notes with the Intermediate banks.

The Reconstruction Finance Corp. recently pledged itself to take over such part of a $25-million issue as the public would not absorb. This proved unnecessary.

Underwood & Underwood

ENGINEERING THE BUDGET—*For graphic demonstration of the deficit, F. X. A. Eble, of the Treasury, devised this super-slide-rule as long as your arm. Proportions of appropriations are quickly seen*

New Life Insurance Drops in First Quarter

NEW life insurance sales for March were 13.5% smaller than March a year ago, with volume for the first quarter 5.7% under the total for the corresponding period last year. Data cover 44 U. S. companies having in force 82% of insurance outstanding.

March business failed to show the sharp increase over February that has been usual in recent years. Except for a ½% gain during December over December, 1930, and a 6.4% increase in January over January, 1931, there has been no encouraging pickup in new business since June, 1930.

Decreases in March comprised 17.6% in ordinary, and 26.4% in group insurance, in comparison with 6.8% and 21.1%, respectively, for the first quarter. Explanations of the 1.8% gain for March and the 2.9% increase for the quarter in industrial insurance varied. A majority believed the rise was due to the especially hard drive of industrial insurance salesmen during February and March. One of the 3 large companies specializing in this type of insurance devoted all of its energy to industrial business during the first quarter.

For the 3-month period, the total new business was $2,667 millions this year again $2,829 millions last year.

It is pointed out in Wall Street that the inability of insurance companies, normally large buyers of bonds every business day in the year, to give their accustomed support to the market during the past 2 years is responsible in no small degree for bad bond prices. In normal times 3 of the larger companies in the East are reported to have had investment funds of more than $1 million a day.

Illinois Loses Round In Income Tax Fight

THE Illinois state personal income tax passed in an effort to lighten the burden on property has been declared unconstitutional by Judge Jesse R. Brown in the Springfield Circuit Court. Sponsors of the measure will carry the fight to the state Supreme Court. The decision declared that the tax violated the state constitution since it was levied on "property by graduation and not valuation."

Judge Brown held that the U. S. Supreme Court had decided that income from property is property, but that personal earnings are not property in the sense that it is subject to excise taxes. The federal constitution was amended to allow a U. S. income tax. The state Supreme Court has held that all income in Illinois is property. The income tax measure, said the judge, did not tax this "property" uniformly.

The proposed rates ran from 1% on the first $1,000 of net income, to 6% on $25,000 or more. Farmers put the tax through the legislature. It was an intelligent attempt to equalize their burdens. Property taxes were to be abated by the $25 millions which the income tax was expected to raise. This was to go into the county elementary school funds. It was to carry 30% of elementary school expenses, sometimes 40% of total government costs.

Extra Fares Will Soon Be Extraordinary

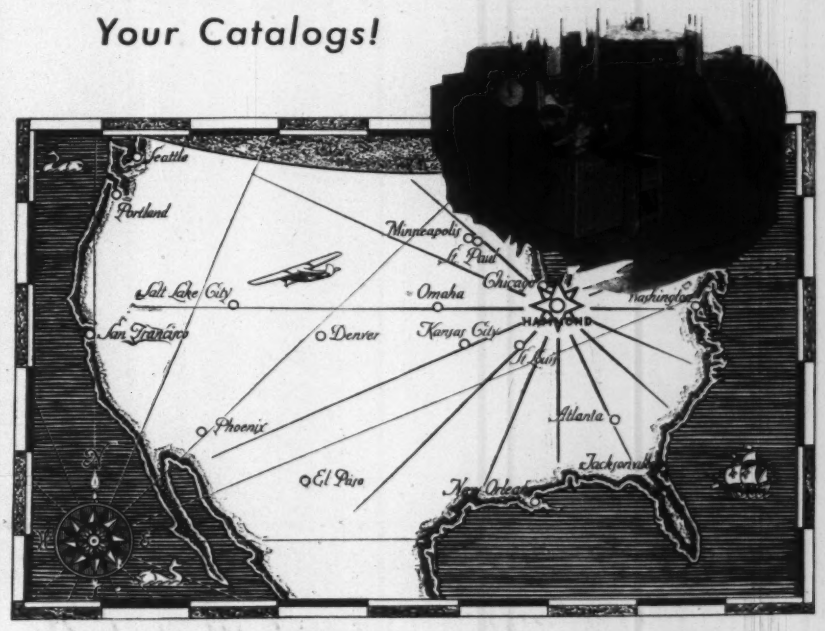
FOLLOWING the announcement by the New York Central and Pennsylvania of their plan to discontinue extra fares on all trains except the Century and the Broadway Limited, other Eastern railroads have taken similar action.

Beginning April 24, no extra fares will be charged on the Baltimore & Ohio, Delaware, Lackawanna & Western, Lehigh Valley, and Erie. The change will apply to 4 trains on the B. & O., 3 each on the Lackawanna and Lehigh, and 1 on the Erie.

Under the new schedules, both the Pennsylvania and the New York Central will each operate five 21-hour trains between New York and Chicago with no extra fare. The Broadway Limited and the Century will be put on an 18-hour run, collecting a $10 service charge. Intermediate service will be speeded up by having the faster trains stop at smaller points. Revenue losses will be offset by the elimination of unprofitable trains.

Cut Your Catalog Distribution Cost!

—Let Conkey Ship as well as Manufacture Your Catalogs!



It is not alone the quality which Conkey builds into the printing and binding of catalogs and other forms of "Business Literature" which influences many of the largest buyers in the country to rely on Conkey as their chief source of supply, but also, *the splendid distribution facilities which this company has to offer.*

Located right in the population center of the country; forty-five minutes from the largest railroad facilities in the world; with extremely efficient storage and shipping departments, *Conkey can distribute your catalogs and save you shipping costs.*

One manufacturer on the Eastern seaboard who formerly placed his business with an Eastern printer now *saves thousands of dollars annually by placing his business with Conkey.*

You can do likewise, for here, in this efficiently managed and operated plant, storage and economical distribution of finished catalogs *is as much a part of the service rendered as is the quality production of printing and binding.*

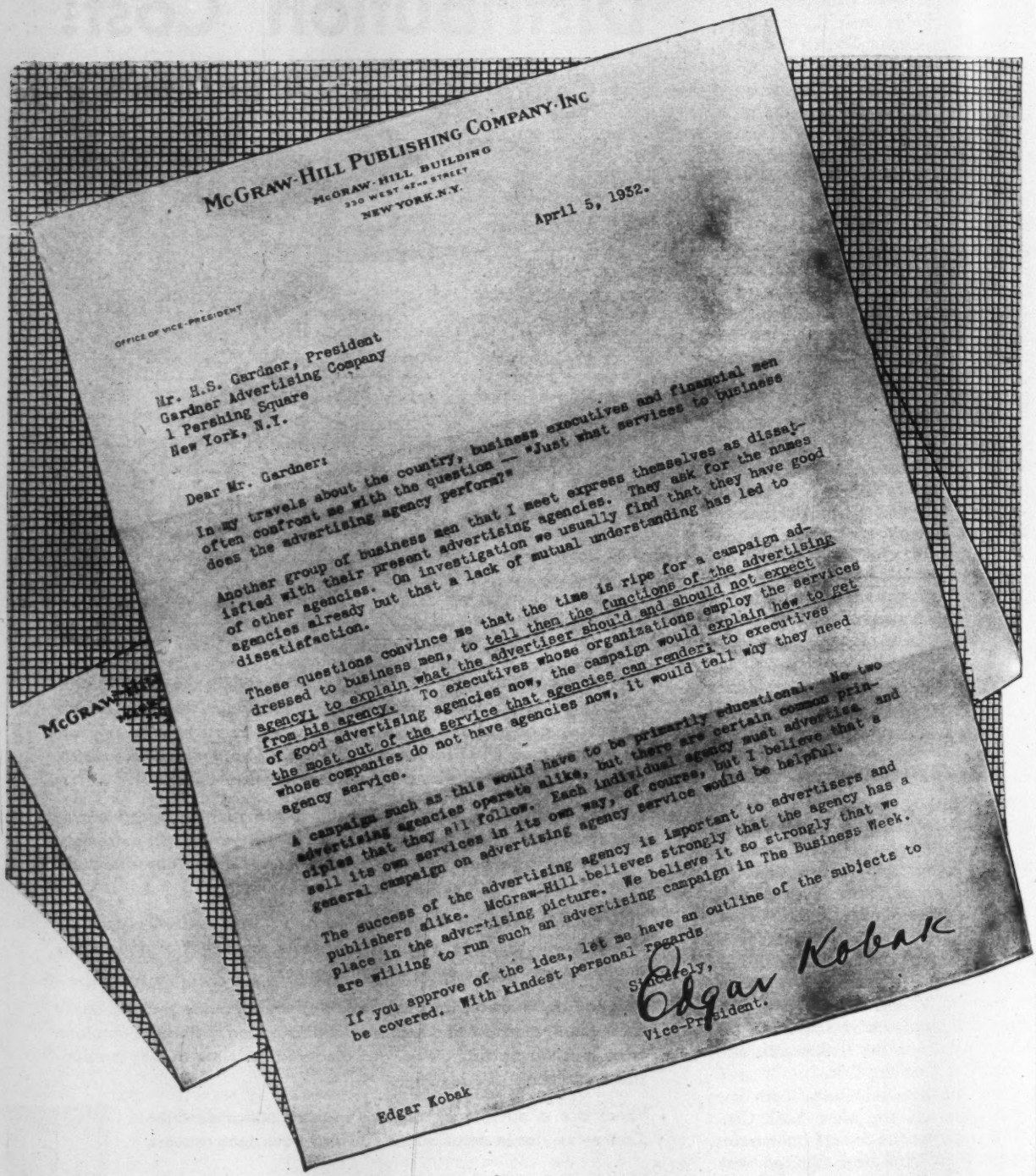
There are a number of Conkey booklets which describe Conkey service in detail which you may have upon request.

W. B. CONKEY COMPANY, Hammond, Indiana
Printers, Binders and Book Manufacturers
Sales Offices in Chicago and New York

USE "BUYING LITERATURE" AS WELL AS "SELLING LITERATURE"

A GOOD CATALOG IS THE BEST "BUYING LITERATURE"

We wrote this letter . .



McGRAW-HILL PUBLISHING COMPANY·INC
McGRAW-HILL BUILDING
330 WEST 42nd STREET
NEW YORK, N.Y.

April 5, 1932.

OFFICE OF VICE-PRESIDENT

Mr. H.S. Gardner, President
Gardner Advertising Company
1 Pershing Square
New York, N.Y.

Dear Mr. Gardner:

In my travels about the country, business executives and financial men often confront me with the question — "Just what services to business does the advertising agency perform?"

Another group of business men that I meet express themselves as dissatisfied with their present advertising agencies. They ask for the names of other agencies. On investigation we usually find that they have good agencies already but that a lack of mutual understanding has led to dissatisfaction.

These questions convince me that the time is ripe for a campaign addressed to business men, to tell them the functions of the advertising agency; to explain what the advertiser should and should not expect from his agency. To executives whose organizations employ the services of good advertising agencies now, the campaign would explain how to get the most out of the service that agencies can render; to executives whose companies do not have agencies now, it would tell way they need agency service.

A campaign such as this would have to be primarily educational. No two advertising agencies operate alike, but there are certain common principles that they all follow. Each individual agency must advertise and sell its own services in its own way, of course, but I believe that a general campaign on advertising agency service would be helpful.

The success of the advertising agency is important to advertisers and publishers alike. McGraw-Hill believes strongly that the agency has a place in the advertising picture. We believe it so strongly that we are willing to run such an advertising campaign in The Business Week.

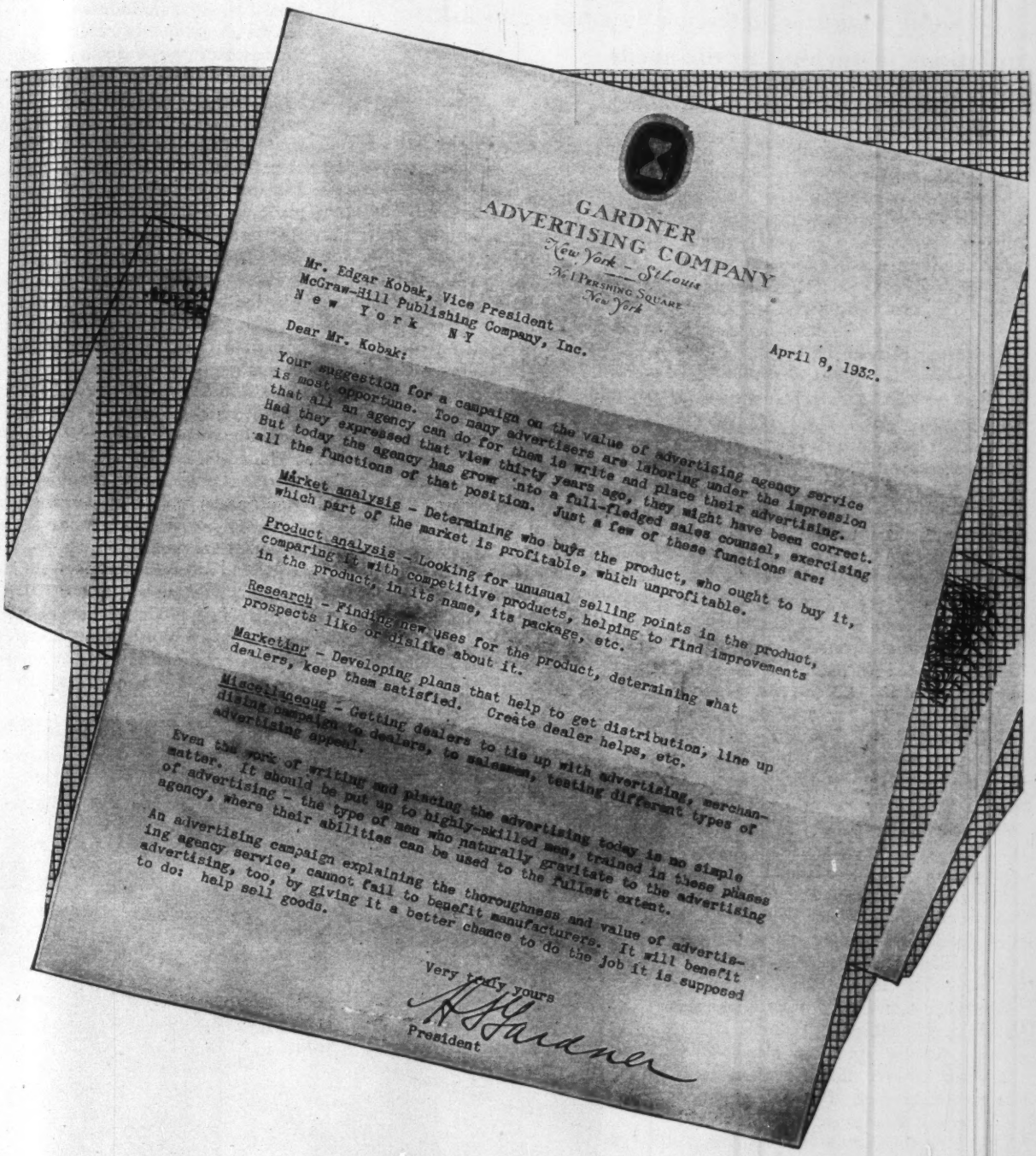
If you approve of the idea, let me have an outline of the subjects to be covered. With kindest personal regards

Sincerely,
Edgar Kobak
Vice-President.

Edgar Kobak

. . . and so we inaugurate a much-needed campaign—*because it's good business for us to show advertisers how to make their advertising SELL*

It brought this reply



GARDNER
ADVERTISING COMPANY
New York - St Louis
No 1 Pershing Square
New York

April 8, 1932.

Mr. Edgar Kobak, Vice President
McGraw-Hill Publishing Company, Inc.
N e w Y o r k N Y

Dear Mr. Kobak:

Your suggestion for a campaign on the value of advertising agency service is most opportune. Too many advertisers are laboring under the impression that all an agency can do for them is write and place their advertising. Had they expressed that view thirty years ago, they might have been correct. But today the agency has grown into a full-fledged sales counsel, exercising all the functions of that position. Just a few of these functions are:

Market analysis - Determining who buys the product, who ought to buy it, which part of the market is profitable, which unprofitable.

Product analysis - Looking for unusual selling points in the product, comparing it with competitive products, helping to find improvements in the product, in its name, its package, etc.

Research - Finding new uses for the product, determining what prospects like or dislike about it.

Marketing - Developing plans that help to get distribution, line up dealers, keep them satisfied. Create dealer helps, etc.

Miscellaneous - Getting dealers to tie up with advertising, merchandising campaign to dealers, to salesmen, testing different types of advertising appeal.

Even the work of writing and placing the advertising today is no simple matter. It should be put up to highly-skilled men, trained in these phases of advertising - the type of man who naturally gravitate to the advertising agency, where their abilities can be used to the fullest extent.

An advertising campaign explaining the thoroughness and value of advertising agency service, cannot fail to benefit manufacturers. It will benefit advertising, too, by giving it a better chance to do the job it is supposed to do: help sell goods.

Very truly yours
A F Gardner
President

McGRAW-HILL PUBLISHING COMPANY, INC.
330 West 42nd Street, New York

Soviets' Second Plan Promises Orders Tempting to Americans

And some manufacturers are beginning to ask questions disturbing to die-hards

WHAT are the prospects for business in Russia?

Executives are concerning themselves with the answer to this question. Gradually-unfolding plans for the Second Five-Year Plan are stimulating the interest. Continuing agitation against Soviet business among a certain group at Washington has become much less interesting of late. Distasteful as it still may be to some, Russian business is much better than no business.

Details of the Second Five-Year Plan will not be definite much before the end of the year. Here are a few of the advance reports which business considers significant:

To Double Investment

(1) National capital investment in the first 5 years totaled $35 billions, will be doubled in the second. Business concludes that imports of $2 billions in the first 5 years can reasonably be expected to double in the second.

(2) New electrification projects already planned include: building and equipping a 400,000 kw. steam power plant before 1934 near Lake Baikal; a dam for electric power development on the Irkut River by 1937; installation of the remaining turbo-generators in the Dnieperstroy power plant soon to be opened.

(3) The world's largest copper-producing plant is planned as a part of the East Siberian development. An American—John Calder—is in charge of development, reports that large orders will be placed, and soon.

(4) The Second Plan calls for the construction of 20,000 miles of railways costing $3½ billions. There is no evidence yet that American plans will be adopted or even that American equipment will be used. But there are hopes.

Some Features Overplayed

(5) Besides these developments in the heavy industries, further equipment for the light industries—canning, packing, textiles, electric equipment—will be purchased. The consumer industries are an important part of the Second Plan but they have probably been played up more than they deserve because they seem to meet the world's idea of what Russia needs rather than because Moscow has given it unusual weight in the plan.

Manufacturers, tempted by this volume of potential business, are paying more than usual attention to 2 propositions which have been recently advanced by certain American business leaders:

(1) That, taking a cue from the British, Germans, Spanish, and Italians, a group of representative American manufacturers and bankers should visit Russia and investigate on the spot the possibilities of expanding Russo-American trade. Careful cultivation brought the Germans $219 millions of Soviet orders last year. Britain studied Russian needs, pointed out Moscow's heavy trade balance with London, carried away $73 millions of Russian orders. The United States dropped to third place with a bare $51 millions. Italy, Czechoslovakia, Poland, and Norway all won good-sized Soviet orders by sending large, carefully selected trade delegations to bid on the spot.

(2) That we should devote more attention to a 2-way Russian business. There is growing concern over Russia's insistence that she can't buy here if she can't sell here. So long as Europe bought freely, and there were no exchange restrictions, it could be managed. Since last summer, Moscow has carried out the threat not to order here. Our purchases of Soviet goods totaled $28 millions in 1930, scarcely $19 millions last year. Since the beginning of Soviet-American trade relations, the United States has accumulated a favorable balance of almost $500 millions. Last year the balance of $90 millions made up 27% of the total U. S. favorable trade balance.

Begin to Ask Questions

People are beginning to question just why the United States is refusing to buy Russian goods. Few Americans returning from the U.S.S.R. uphold the trite contention that "all" goods are the product of forced labor. Few admit there is anything inferior in the products (mostly raw materials) which have been admitted. And, importantly, there is a growing group which is willing to contest federal policy of refusing admittance to Soviet goods when the same products are admitted from other countries and domestic supplies are inadequate. Manganese, spruce pulpwood, special fish products, bristles, casings and furs are outstanding examples of products we might buy from Russia and

International

HERE'S HOW—*Messrs. Johnson and Hatch (left) of Detroit, U. S. A., gi some production pointers to young Russian workmen at the Nizh Novgorod automobile factory, where production has fallen off*

at the same time be building up a chance for an assured volume of reciprocal trade in the very products the United States is best equipped to export—machinery and machine products, and technical skill.

Where Orders Have Gone

Executives from the Middle West who attended a luncheon in Chicago recently and heard Peter A. Bogdanov speak, mentally underlined these statements: "Purchases which have been made for the Soviet Union in this country during the past few years have been of special interest to the Middle Western states (Illinois, Michigan, Ohio, Indiana and Wisconsin) where purchases by the Amtorg in the last 2 years have made up more than half of the total Amtorg orders. In 1930, Illinois was the leader among all the states, the orders there totaling $38 millions."

And another significant statement: "It should not be forgotten that Russia is an important gold-producing country. Production of gold has doubled in the last 3 years and the amount of the gold reserve in the vaults of the State Bank has increased to about $330 millions, as against $250 millions in March, 1931."

In New York, in the export group, it is rumored that Amtorg has placed perhaps half a dozen orders recently with firms, probably in the Great Lakes manufacturing area, on terms comparable to those granted by Europeans. This is assumed to be no down-payment with order and from 18 to 21 months' credit. The financing has supposedly been aided by local banks.

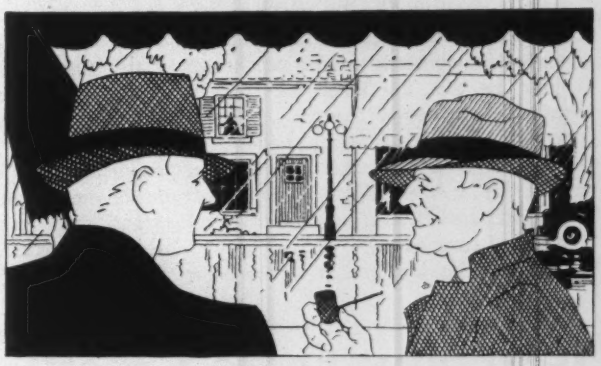
American Potash Sends The Cartel to Cover

EUROPEAN NEWS BUREAU—European potash interests are seriously alarmed over the reports that potash deposits in New Mexico, and to a lesser extent in Texas, are proving to be potentially very rich, are likely to be worked extensively in the near future, may well supply the important American market, hitherto importing 85% of its potash consumption total, may even become a threat in export markets.

This has led officials of the Franco-German monopoly to negotiate with the Poles, only other large producers in Europe, for an all-Europe cartel which will protect them from competition within their own group and build up a stronger working organization to meet American competition.

Polish production is small compared with that of the Franco-German mines

"It always has stopped raining"



During an incessant downpour lasting several days the village philosopher was asked; "Do you think it will ever stop raining?" to which the venerable man of wisdom replied, "Wall, it always has."

Meanwhile, the use of Old Ironsides Ledger for public and commercial records continues because it has always "stopped raining."

Old Ironsides Ledger is a high percentage clean, new rag content paper. The essential properties demanded of a paper to be used for permanent records will be found in this grade, not only those you see and feel but the intrinsic qualities,—permanence, durability, and resistance to discoloration.

Look for the "Old Ironsides" watermark in your record sheets. It is your guarantee that your printer or stationer has done you a valuable service. Made by Gilbert Paper Company, Menasha, Wisconsin.

Old IRONSIDES Ledger

18 87 GPCo USE BETTER PAPERS THE BEST PAPERS ARE MADE FROM RAGS

but, from the point of view of the cartel, competition from the Poles was becoming a disturbing factor in the Scandinavian markets, and an almost prohibitive Polish import duty during the last few years has virtually dislodged German potash from the Polish market.

The new agreement uniting the 3 large European producers will last for 5 years. It gives the Poles a quota of 4% of total exports. The Polish market is reserved for domestic production though it may be that the Poles will find it profitable to open certain domestic markets to German potash because of the shortage of haul from the German mines. If this develops, Poland will be expected to expand her Scandinavian market to compensate.

Pending the development of the New Mexico mines, the new agreement means a virtual European, and even worldwide, potash export monopoly since the Spanish potash mines are of no international importance, and the Russian deposits in the Ural mountains are too unfavorably located to be likely soon to compete in world markets.

Cut off during the war, the United States exploited known potash fields in New Mexico and Texas. Output eventually reached something over 50,000 tons, about one-fifth of normal consumption. It was only when the postwar Franco-German cartel started again to fix prices that alert Americans got busy, made new studies in New Mexico, found that domestic sources were potentially comparable to European, that production could be profitable.

Germany Fears Unsettlement Following Provincial Elections

EUROPEAN NEWS BUREAU (*Cable*)—Germany is worried. Elections are the cause.

Hindenburg is president but the threat of Hitler control has not been eliminated.

Four provincial elections are imminent: (1) in Prussia, which is a Hitler stronghold and has a population of 39 millions; (2) in Bavaria, which is anti-Hitler, has a population of 7.4 millions; (3) in Wuerttemberg, also anti-Hitler, with 2.6 millions; and (4) in Hamburg, which is pro-Hitler, with 1.2 millions. This is an aggregate population of 50 millions out of a total in Germany of 62 millions. Significantly, Prussia, which is increasingly pro-Hitler, is two-thirds of all Germany in both size and population.

The present Prussian government is a coalition of moderate Socialists and Centrists. Premier Braun and Minister of the Interior Severing, outstanding personalities, are both Socialists.

Possible Results

In the Prussian elections there are a number of possible outcomes, and growing out of these a number of possible results. These possible results are what are worrying Germans. Here is a summary of their reasoning:

(1) Hitler is not likely to win a clear-cut majority in the elections. But neither will the present coalition.

Important, then, is last week's change in the Diet constitution making necessary an absolute majority for the election of a Premier. Prussia expects a combined Communist-Nazi vote to reestablish the old ruling.

(2) The Communists then can use their balance of power to permit neither the Nazis nor anti-Nazis from gaining control, which would hamstring any effective administration, precipitate constant turmoil.

Might Use Force

(3) Failing legal control in Prussia, the Hitlerites may seize control forcibly and gain control of the police and important Prussian executive organs.

Here is the German worry. Legally or forcibly in power, Hitler will come into collision with the federal government. This, Germans believe, can easily lead to a general strike. Whether or not this gloomy prospect develops, even if Hitler does not come into power by one means or another, the federal position is likely to become untenable and a difficult period of political shakedown is ahead.

No Catastrophe Likely

But the most pessimistic are not looking for a catastrophe. Hitler in power is likely to be far more moderate than his campaign speeches indicate. In a general strike, his troops are sufficiently organized, trained to man promptly the railroads and key utilities. Germany is aware, too, that Bruening's final emergency decree, adopted in December, borrowed boldly from Hitler's program. Banks and industry would be federalized, and Germany's frontiers would be armed.

The immediate threat to German business, however, is a period of unsettlement.

Wide World

WELCOME TO ENGLAND—*The Lord Mayor of Southampton greets the new Ambassador from the United States as he arrives to take up his residence*

Just how much

is the consumer's demand for "services" cutting into his purchases of commodities?

INCREASING consumption of services—that's the outstanding feature of change in the national standard of living in the past 12 years. This trend is established in the first study of "The American Consumer Market", appearing in this issue of The Business Week.

But just *how far* has that shift in buying habits gone? At just what rate is it being made, year after year? Furthermore, after all payments for government services (taxes) and for investments (savings) how great a share of the consumer's dollar goes for purchase of strictly *commercial* services? To what exact extent does the shift in buying habits apply to the *domestic* consumer markets when the figures for foreign purchases are deducted?

It's of vital importance to business men to know the answer to these questions. Without these answers, they certainly can't form a clearly-defined picture of the present *actual* market for commodities as distinct from the market for "services."

As the next step in helping business to get clearer pictures of its true consumer market, The Business Week will give concrete answers to these important questions in the second of its twenty studies of "The American Consumer Market." This second study will appear next week (May 4th issue).

Nobody dealing with the consumer market can afford to miss reading this series of twenty studies. The series as a whole isn't a study of sales in a certain type of store or a certain-sized city—it isn't a projection of fragmentary data—it is a study of the expenditures of our entire population over the period from 1919 to 1930. And it covers just about everything the American people buy—roughly, about a thousand items.

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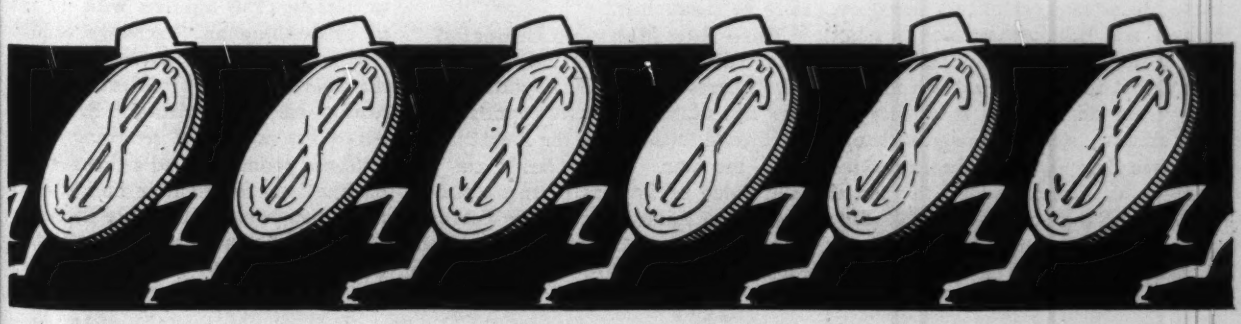

Business Abroad—Swift Survey Of the Week's Developments

Business everywhere is in a state of suspense. . . . Germany is awaiting election results. . . . So is France. . . . Britain is still busy, still recovering, but increasingly absorbed with plans to strengthen her position at Lausanne, to make the all-important empire conference at Ottawa foolproof. . . . Italy is making the most of a small industrial pickup, an oversubscribed government bond issue. . . . Japan will provide a way for inflation, farm relief, in special Diet session. . . . Frail spring recovery seems destined to blast and fade for lack of confidence and ability to overcome political obstacles. . . . Next fortnight is likely to crystallize many issues now in suspense.

Europe

EUROPEAN NEWS BUREAU (*Radio*)—Just now Europe is in a state of suspense awaiting the outcome of critical financial and political events. These out of the way, the next few weeks should crystallize present mixed trends, make it possible to appraise the future with a greater degree of certainty.

In the general flux is the situation in Britain following the inauguration of tariffs, the announcement of the new budget. In Germany everything is in a state of uneasy suspense until the Prussian elections are run off. French election prospects will be more predictable after the German elections. Even the disarmament, reparations, and Danubian conferences can be appraised more intelligently after this set of uncertainties precipitates.

In summary, trends now visible are: reabsorption of the unemployed, but on a small scale; far less than normal seasonal recovery; recovery of local trade balances in Britain but with inevitable contraction of volume; general reduction of bank rates (Holland, Hungary, Finland, and Britain most recently) but without improvement in credit conditions except for some relaxation in Germany from the extreme stringency recently existing; steadier foreign exchange in western Europe, but weakening of the drachma as Greece adopts a partial moratorium; the somewhat better tone on commodities markets, unreliable as that may prove to be, except for wheat.

Immediate uneasiness still focuses on 3 primary centers: (1) the pending German political and financial developments; (2) Kreuger disclosures; and (3) whether deflation, inflation, or reflation will finally be the course to prevail in the United States.

Britain's Budget

Salient features of Britain's grim budget bill are negative rather than positive. There is no reduction in the present crushing taxation. There is no indication of a plan to return to the gold standard. Rather, the government apparently wisely plans not to anchor sterling till economic cross currents subside, but meanwhile will attempt to maneuver currency to avoid speculative fluctuations by establishing an exchange stabilizing fund. There are no indications of future policies on tariff or empire preference plans, beyond a preference on tea.

Not Repudiation

No significance attaches to the omission of war debt receipts or payments except for the indication that Britain expects new arrangements to be drawn up at Lausanne. The allegation that Britain intends to repudiate is wholly unfounded, though the resumption of full payments this year is inconceivable.

The latest Kreuger revelations indicate that capital in Kreuger & Toll, Swedish Match, and International Match is mostly, or wholly, lost but repercussions this week seem to be localizing. Marketwise, beyond these and associated issues, other securities are comparatively little affected except in Sweden where it is estimated losses will exceed $100 millions. The krona is weak. No losses prejudicing general conditions elsewhere are expected.

March foreign trade figures were significant. Germany cut imports to the bone, maintained exports, and ran up a favorable balance of $40 millions. Opinion is general that this cannot possibly be maintained.

More Raw Materials Imported

It is notable that England and France have increased rawstuffs imports. England also slightly increased exports while the French totals fell to the lowest levels since the war. British tariffs cut the gold value of imports of manufactures nearly $25 millions below the February figure, and $60 millions below March totals last year. Most important factor in the British returns was the $41 million reduction in the adverse balance, to $100 millions.

Eastern Europe took one further step in the direction of financial collapse when Bulgaria and Greece declared partial moratoria on their foreign obligations. This gives further point to the sudden 5-power conference at Geneva Thursday.

Great Britain

Stern budget disappoints Britain, but business tone continues good. . . . Direct taxes remain; new items expected on tax list. . . . Government adopts new exchange policy to protect sterling from speculation, to allow Britain a free hand at Lausanne. . . . London able to withstand shock of Kreuger revelations. . . . Discount rate cut to 3%.

LONDON (*Cable*)—Hardened by a year of disappointments and hard knocks, the British stoically pushed aside their disappointment this week when the budget announcement brought no relief from the heavy burden of taxation. It was a stern budget without even a cut in the tax on beer. But Britain is so confident that the "worst is over" that the burden is accepted.

Business was more completely absorbed with budget details than any other one topic all week. Besides the failure to cut the income tax or the beer tax, both wistfully anticipated, there were several other significant changes. New revenue will be derived by reimposing the tax on tea, abandoned 3 years ago. The rate will be 4 pence a pound on foreign teas and 2 pence on teas from within the empire. Besides, the City and the heavy industries are anticipating a tax on iron and steel products to be announced shortly. This, however, will be for protection, not for revenue.

To Stabilize Sterling

Vitally important to the money market, and to the various currencies linked with sterling, is the plan in the budget to borrow £150 millions with the idea of establishing an "exchange equilization account" in an attempt to protect the pound sterling from excessive fluctuation due to speculation. Britain evidently has no idea of returning to gold until the pound has had a chance to find its true level under more normal conditions than have existed since September.

Most important to Americans, however, was the failure of the Treasury to provide in the new budget for the pay-

ment of Britain's war debts to the United States. It is not to be ignored that the Chancellor admitted that this question was simply being left until after the Lausanne conference and that final adjustments might be made in a special supplementary budget early in the fall. All of which focuses more and more American interest in preliminary arrangements for Lausanne, in the Stimson visit to Europe, in the progress of international cooperation.

The Kreuger revelations affect London chiefly as a reflex from Continental liquidation. There is much British money involved, but the British Match Corp., of which Swedish Match owns 20% of the ordinary shares, has not financed or taken holdings in Kreuger concerns. The Stock Exchange has formed a strong committee to deal with the developments in the situation. As always, the psychological effects are going to be worse than the actual losses caused by Kreuger's manipulations.

None the less, the British tone seems now to be incomparably better than 6 months ago.

Germany

Business in suspense awaiting Prussian election results. . . . Activity in key industries continues to decline. Only few consumer industries show slight pickup. . . . Reichsbank loses more gold. . . . March foreign trade balance springs a surprise, reaches $40 millions. Improvement is only transitory.

BERLIN (*Cable*)—German foreign trade figures for March were a happy surprise to business. The favorable balance, instead of falling away, exceeded $40 millions, in comparison with approximately $25 millions in each of the first 2 months of the year.

But Germans are not deceived. March is normally a good export month. The March balance this year was due, not to an increase in exports, but to a contraction of 17% in imports. Both factors are transitory, and further deterioration in coming months is fully anticipated. Exports are bound to contract, and imports can scarcely be curtailed further without endangering supplies of raw materials and food.

Business, notably the retail trade, is in a state of suspense due to growing anxiety over the Prussian election prospects (page 34). Recession of activity in the key industries continues, and activity in the consumer industries shows only spotty improvement. Despite the improvement in the foreign trade balance, the Reichsbank has suffered a further gold loss of $8 millions.

In view of this last development, special interest attaches to the statement of former Reichsbank director, Hjalmar Schacht, in a radio address this week: "It may be, and do not let this frighten you, that a temporary moratorium for long-term private loans may have to be arranged, but in the end no owner of German securities will suffer any damage, because the economic strength of 65 million Germans will take care of that."

France

Meager spring pickup continues. Textiles and paper industries benefit principally. . . . Pre-election uncertainty affects business. . . . Anti-dollar campaign dwindles. . . . American imports hit by new rubber duties. . . . French dollar loans quoted on Bourse.

PARIS (*Radio*)—France is still squeezing a little encouragement out of the feeble spring trade recovery, but the Frenchman is too shrewd to recognize that the pickup is more than superficial, and confined almost entirely to the light, consumer industries. Construction shows no signs of activity and heavy industries are stationary. Textiles and the paper industry showed further gains last week. Beyond this, nothing further is expected to develop until after the parliamentary elections the first week in May.

While the country is still anticipating a victory for the Left parties, the striking Hitler gains in Germany, and France's dread of a Hitler-controlled Reich, are likely to shift the vote of many a conservative Frenchman.

Americans are particularly interested in 3 developments this week. Short-selling of the dollar by the French has definitely subsided and futures premiums have fallen. This does not mean, however, that the French have ceased to scrutinize rather skeptically developments in the United States. It seems perfectly evident now that there is no government-encouraged drive on the dollar but that the French are still uneasy over current developments in New York and Washington.

The second development is the increase in the duty on rubber products. More than $1 million of United States imports are affected. Particularly important are men's gaiters, athletic gar-

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ments, women's dress shields, and rubberized medical materials. Previous duties ranged from 22½% to 27% ad valorem. The new duties are specific, range from 18% to 300%, will practically prohibit imports of certain items. Diplomatic intervention is inevitable, but so far it has been ineffective in battering down French determination to protect the home market and to try to reduce imports.

The third item of significance to Americans is the admission to the Bourse of 3 French postwar bond issues floated in the United States and aggregating $132 millions. Paris attributes the government's motive in admitting the French dollar bonds to a desire to support the dollar. By some, however, it is accepted as the first move by France to allow quotation generally on the Bourse of American securities.

French Business Protests

Only one new French import quota (hosiery) was announced during the week but important domestic protests against this and other trade restrictions have been registered. Significant among the protests is one from the Lyons Chamber of Commerce, and another from the Federation of Maritime Chambers of Commerce of France. The latter, at its congress at Bordeaux, resolved that the measures taken by the government to reduce imports were harmful both to French foreign trade and to French national economy. Reduction in imports, the meeting declared, entailed reduction in exports. The French tariff itself should be entirely readjusted and new commercial treaties negotiated to replace the present system.

Italy

Financial trends weak; industrial trend more satisfactory. . . . Government conversion issue heavily oversubscribed. . . . Tighter credit anticipated.

MILAN (*Radio*)—Industry and trade in Italy are relatively better than a few weeks ago due to feeble signs of better spring buying, but the financial trend is less favorable. Exchange is weak, gold reserves are down, prices are declining, and there is small activity on the stock exchanges. Business looks for a tightening of credit in coming weeks.

Two developments have dominated the outlook in the last few weeks.

(1) The Italian public, in less than 12 hours, oversubscribed fourfold the government conversion loan. More than $200 millions is thus available for government use. While it testifies to the confidence of Italians in the Mussolini régime, it must be admitted that the enormous oversubscription will deplete bank deposits for some time and postpone a large number of private loans due to be issued soon in an effort to refinance bank holdings of industrial securities. The inevitable tightening of already not-too-easy credit is scarcely welcome to business.

Italy Cuts Electric Rates

(2) Electric power rates are about to be reduced and, while welcomed by consumers, this will seriously embarrass already heavily indebted utilities and tend further to tighten credit.

There is another, and more hopeful, side to the problem. The success of the government's conversion issue will provide $50 millions required for refinancing government maturities; $50 millions which can be applied to the current budget deficit of $110 millions; $50 millions to the Bank of Italy to reduce its debt to Instituto di Liquidazione and allow that institution to increase its support of frozen industries; and $50 millions for much-needed public works. Thus, the bulk of the money which the public has subscribed will be returned to circulation, and at least half of it spent for productive purposes, which may further reduce the country's 1,053,000 unemployed.

Far East

Russo-Japanese tension greater but not likely to break into open hostility soon. . . . Japanese business expects Diet action in May to aid farmers, take care of silk stocks, stabilize exchange, aid banks. . . . Chinese business returns to normal, but substantial progress hindered by political uncertainty. . . . Indo-China sends coal to the United States.

RUSSO-JAPANESE tension in the Far East is increasing but not even the most pessimistic expect it to lead soon to an open break. Japanese battleships will patrol the fishing grounds while the Japanese fishing fleet is out, and this may aggravate the Soviets. But it is likely that long dickering over the renewal of the fishing treaty between the two nations will result in some sort of an agreement or that the old agreement will tacitly be allowed to operate.

In Japan, business leaders expect little improvement in trade and industry or in the financial situation until (1) silk prices advance; (2) banks liquidate, or are relieved of a portion of their loans on commodities and real estate; (3) extraordinary expenditures for the China expedition are reduced; and (4) exchange is stabilized.

Diet Faces Problems

An extraordinary session of the Diet has been called for May 23. At that time the 1932-33 budget will be submitted, a tariff program will be outlined, farm relief will probably be voted, proposals will be considered for methods of disposing of the government's extensive holdings of indemnified raw silk, and a law will be framed to allow an increase in currency in an attempt to inflate prices and aid farmers and bankers. Authorities in Tokyo declare the country's foreign debts are in no way jeopardized by the plan to inflate since balances in London and New York are already adequate to meet service charges for some time.

Nominal production curtailment of 34% is expected to be continued in the cotton spinning industry until September. Imports of American cotton this season will approximate 2,200,000 bales.

In spite of unsettled conditions in the latter half of 1931, the Cotton Spinning Association reported that there was an improvement in company profits. Net profits totaled Y23 millions, and the average dividend declared was 9%.

Silk Is Cheap

Raw silk prices are weak and declining. Visible stocks on Mar. 31 were not abnormal but demand is still small.

Business in China is slowly returning to normal. Shanghai is resuming building activity, stopped by hostilities, and ships are once more unloading at their old wharves. Factories are reopening and demand for raw materials is improving. The boycott of Japanese goods continues in the Central and Southern area but in the north, around Tientsin, it is relaxing.

Chinese Instability

China's internal political situation is the greatest draw-back to substantial recovery now. Reconstruction on a large scale cannot be expected so long as the National People's Party is split within itself and provincial war lords in the north threaten to move against the only central authority there is at Nanking. Service charges on foreign loans are being maintained, but the lack of a strongly organized central control prevents adequate planning or financing of the vast projects which have been visualized in party talks.

Americans are interested in the arrival at Boston of a cargo of high-grade

coal from French Indo-China. Coal has been mined in that part of the world for many years but owing to the great distance none of it has ever before been brought to the Eastern Coast of the United States. Nearly 1 million tons are sent annually to Japan. Nearly 300,000 tons are expected in Canada and the United States this year.

Latin America

Brazil encouraged by more steady coffee prices. Domestic industries benefit from smaller import competition. . . . Argentina profits from better European demand for wheat and corn. . . . Mexico changes customs levies, rushes oil to the United States.

CONDITIONS have not improved in Latin America.

Steadier coffee prices in Brazil should not be viewed too optimistically. Under strict control of the Bank of Brazil, milreis exchange has steadied recently. This has supplemented the relative success of the plan for withdrawing coffee stocks from the market and fair success in destroying inferior grades. There is one other factor. With world markets affected by the depression, there is a growing demand for the cheaper, less mild Brazilian varieties, in place of the mild blends from Central America. This is reflected in the relatively steady prices for Brazil coffees recently, compared with the falling price of mild blends.

Rio reports that domestic industry is benefiting from stagnant imports. While foreign exchange is strictly regulated, there has been a sufficient quantity to meet current commercial demands with only occasional small delays.

Argentina Expands Exports

Conditions in Argentina remain relatively the best in Latin America. Exports continue to expand though prices for practically all products are low. Corn and wheat, because of better European demand, are selling at slightly better prices. Flaxseed, on the other hand, is in small demand and prices are weak.

Mexico recently has experienced a small boom in oil exports to the United States due to the rush to beat the tariff. Foreign trade also is affected by recent tariff decrees from Mexico City to protect national industry and encourage its expansion. Import levies have been increased on fresh milk, rice, lentils, salt, and certain classes of advancing material, but have been reduced on various kinds of mining and building materials, which are important American imports.

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1926 . .	41,000	1930 . .	213,278
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The Figures of the Week And What They Mean

Mixed trends continue to characterize the business world. . . . Steel activity appears to be striking bottom, with a number of districts reporting a pick-up in orders. . . . April construction to date is turning upward, particularly in the public works class. . . . Residential awards lag. . . . Coal production reflects the approach of spring and mine suspensions. . . . Electric power production was forced upward by cold weather. . . . Mild improvement in trade appears to have maintained the upward trend in the major carloading classes. . . . Commodity prices lack real stability as yet.

THAT the golden era in steel production lies only a brief week or two ahead has been prophesied so frequently this year, that it has now lost much of its encouraging significance. The past week ending Apr. 18, however, reflects a little steadiness in the operating rate of the industry, achieved by the smaller independent mills at the expense of the U. S. Steel Corp. The adjusted index is unchanged at 29% of normal.

The demand for automotive steel has been expanding so slowly in the past few weeks that it has had no perceptible effect on the operating rate of the industry as a whole. Such centers as Pittsburgh, Youngstown, and Birmingham have felt the stimulus of increasing activity. Ford purchases, according to *Iron Age*, were featured by steel orders for 65,000 cars. Among other manufacturers, Plymouth is reported to be making the best showing in assemblies, while Chevrolet's output this month may not exceed 45,000 cars.

Neither the railroad nor building industry has come forward with any substantial increase in demand, in spite of the hoped-for improvement expected from increased rates and lower wages. Tin plate activity is above the 50% mark for the first time this year.

Another difficulty besetting the steel trade as well as other lines of business is the continued stringency of credit. Many would-be buyers have been restrained because the banks have refused to extend the usual volume of credit. The situation has been aggravated in all directions by the insistence on the part of financial interests to maintain low inventories.

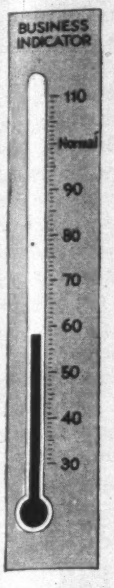
Wages in Steel

The question of wage reduction was skirted by the retiring president of the U. S. Steel Corp. at the Hoboken meeting of stockholders this week. In view of the 3 successive cuts made in 1921 when the wage rate was reduced from the high of 51¢ an hour to 30¢, the question of some further action this year is becoming more widespread. The cut last autumn reduced the scale from the 1929 peak of 44¢ to 40¢. Besides making additional inroads upon the meager purchasing power of steel workers, especially when many have had work but one day a week, the proposed cut is likely to have the effect of delaying buying in the hopes that prices may be made to reflect the wage cut.

Construction activity during the first half of April shows some encouraging aspects, particularly in the public works

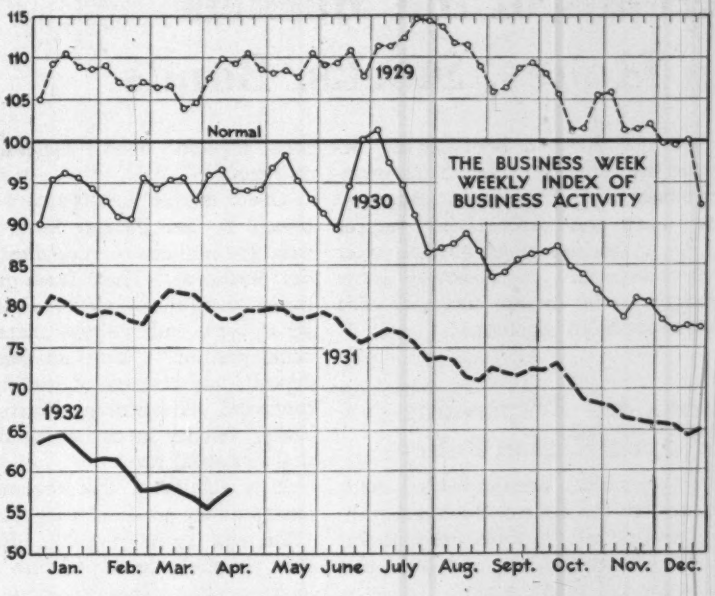
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*58.3	†57.6	78.6	.....
PRODUCTION				
Steel Ingot Operation (% of capacity)	22	22	49	79
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,199	$4,002	$13,813	$20,021
Bituminous Coal (daily average, 1,000 tons)	*781	†1,028	1,131	1,302
Electric Power (millions K.W.H.)	1,481	1,465	1,641	1,583
TRADE				
Total Carloadings (daily average, 1,000 cars)	91	91	123	149
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	64	63	86	104
Check Payments (outside N. Y. City, millions)	$3,071	$3,939	$4,706	$5,549
Money in Circulation (daily average, millions)	$5,450	$5,475	$4,648	$4,686
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.55	$.51	$.74	$1.12
Cotton (middling, New York, lb.)	$.062	$.062	$.102	$.163
Iron and Steel (STEEL composite, ton)	$29.74	$29.74	$31.51	$35.03
Copper (electrolytic, f.o.b. refinery, lb.)	$.055	$.055	$.093	$.135
All Commodities (Fisher's Index, 1926=100)	62.4	62.5	74.6	90.7
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$1,670	$1,609	$946	$1,184
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$19,058	$19,173	$23,051	$21,990
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,822	$6,838	$8,064	$8,669
Security Loans, Federal Reserve reporting member banks (millions)	$5,148	$5,222	$7,194	$7,110
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$504	$485	$1,844	$3,715
Stock Prices (average 100 stocks, Herald-Tribune)	$82.36	$82.76	$129.14	$154.92
Bond Prices (Dow, Jones, average 40 bonds)	$75.33	$74.04	$95.62	$96.37
Interest Rates—Call Loans (daily average, renewal)	2.5%	2.5%	1.5%	4.5%
Interest Rates—Prime Commercial Paper (4-6 months)	3½-3¾%	3½-3¾%	2½-2½%	4.2%
Business Failures (Dun, number)	653	607	563	496

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



and utility class whose daily average now runs 42% above March. Awards in this group totaled $20.4 millions. Compared with the daily average of April, 1931, the shrinkage exceeds 69%.

Non-residential contracts remain the largest of the 3 groups, with a total of $23.8 millions, equal to a 0.7% gain over the daily average of March, but nearly 56% below a year ago. Residential construction continues to lag in spite of the many prophecies that this branch promises the greatest hope in the coming year. Awards through April 15 were valued at $13.9 millions, representing a 13% decline from the March average and a 71% drop from a year ago.

Contracts Awarded

Total contracts awarded so far this month were worth $58,159,600, which leaves a 7.6% head start over the March figures, but continues to hold the comparison with last year around 66% lower.

The spurt in coal production following the cold weather seems to have spent its force after having stimulated employment and raised the freight shipments of March. While the trend of production is normally downward in the spring of the year, the greater part of the present decline is attributed to the suspension in the Illinois, Indiana and Ohio fields. The adjusted index declined from 54% of normal to 44%. Anthracite production in Pennsylvania continues at a high level, exceeding last year for the third time.

The upturn in electric power during the week of April 16 is probably due to cold weather on the Atlantic Seaboard in particular. In the central industrial region, consumption of power continues at a low level. The adjusted index remains unchanged at 73% of normal.

Freight Shipments

Coal loadings again accounted for the decline in total freight shipments during the week of April 9, but the decline was not significant in size. Chief interest lies in the continued improvement of the miscellaneous and less than carlot freight which now stands at the second highest point of the year. Apparently a mild pick-up in trade has been set in motion.

While check payments declined 22% in the 140 cities outside of New York, this did not wipe out the much sharper gain of the preceding week. Our index, based on the past 2 weeks, moved to 71% of normal compared with 68% the preceding week. While March usually reflects an increase in the volume of check payments compared with February, both on account of the greater number of days and the approach of the spring season, the gain this year was about a third of the customary advance. The first quarter of this year showed a 24% decline in checks in the 131 cities outside of the large financial centers, while New York City recorded a 34% shrinkage. Part of the decline can be attributed to the 14% drop in wholesale prices, but the greater part of the decline must be laid at the door of the general inactivity of business.

Currency outstanding declined further during the week of April 16, but the adjusted index remains at the high level of 47% above normal.

The government provisions for the easing of credit have not yet succeeded in forcing the banks to expand credit. Commercial loans of the reporting member banks continue to parallel the 1931 downward trend. The index remains unchanged at 7% above normal.

March wholesale prices declined less than ½%, with textile products showing the greatest drop from February. Even retail food prices reflected the greater steadiness of commodities. But the declining trend, though somewhat slower, is not at an end, according to the weekly indexes which are available since March.

Commodity Prices

With little encouragement in the security markets or in general trade, most commodities moved uncertainly. Wheat prices have been the bright spot in the market, but profit taking has often caused a set-back. Corn prices have declined steadily, reaching new lows for this century. Cocoa, rubber, sugar, hides, cattle have been irregular and weak. Coffee slumped a few days, but is reversing its trend. Silk is improving since the lows of Apr. 13. Cotton has moved narrowly.

Lead sales were in good volume, with prices steady. Copper had a temporary flurry, but the effort to lift the export price failed to hold in face of a sagging stock market. Tin prices gained on news of expected drastic cut in output.

Trends of the Markets In Money, Stocks, Bonds

Enlarged Reserve bond-buying begins to bear fruit. . . . New York member banks expand credit. . . . Rates on time loans and bankers' acceptances cut. . . . Stocks swings upward after earlier decline. . . . Bonds show strength under better demand with improvement in all lists.

Banks Are Responding To Open Market Policy

MONEY market attention this week focussed on the Federal Reserve System and possible effects of its open market policy. Signs are now available that banks are expanding credit.

First indication that Federal Reserve easy money operations are actually resulting in credit expansion on part of member banks is visible in statement of N. Y. City member banks. A policy of deflation of loans and investments has been pursued to date. Excess reserves, however, have apparently accumulated to such an extent that further deflation has been checked, since loans and investments increased $148 millions during the week. Investments in U. S. governments and other securities increased substantially. Net demand and time deposits also showed a vigorous upward trend, increasing $96 millions.

Open market operations were continued by the Federal Reserve banks with $94 millions of government securities purchased. These funds permitted banks sharply to reduce Federal Reserve bank indebtedness, thus easing bank position. With an increase in deposits and reserves of leading banks, continued increase in loans appears likely. Money in circulation showed a slight seasonal rise.

It is significant that the same easy money policy got results in 1921-22, in 1924, and again in 1927. Easing of bank position continued also through loans of the Reconstruction Finance Corp. Latest reports show more than 1,000 banks have received aid.

Conditions in the bill market appear more stable, in contrast to violent rate reductions last week. Recent reductions totaling 1⅜% have not secured desired results. Demand is still strong for the best type of bills but supply is nil. Banks continue extremely reluctant to let go of their holdings. Dealers' portfolios are nearly empty, probably standing at around $10 millions.

Downward trends characterized the foreign exchange markets. Francs, lire, marks, guilders were down. Sterling lacked stability after announcement that British Treasury contemplated borrowing £150 millions for exchange stabilization.

Repatriation of French gold continued, with the Netherlands joining the procession. The Bank of Netherlands has begun to withdraw about $40 millions in gold from the United States, since no purpose is served by leaving it here. It will not interfere with our money market in any way.

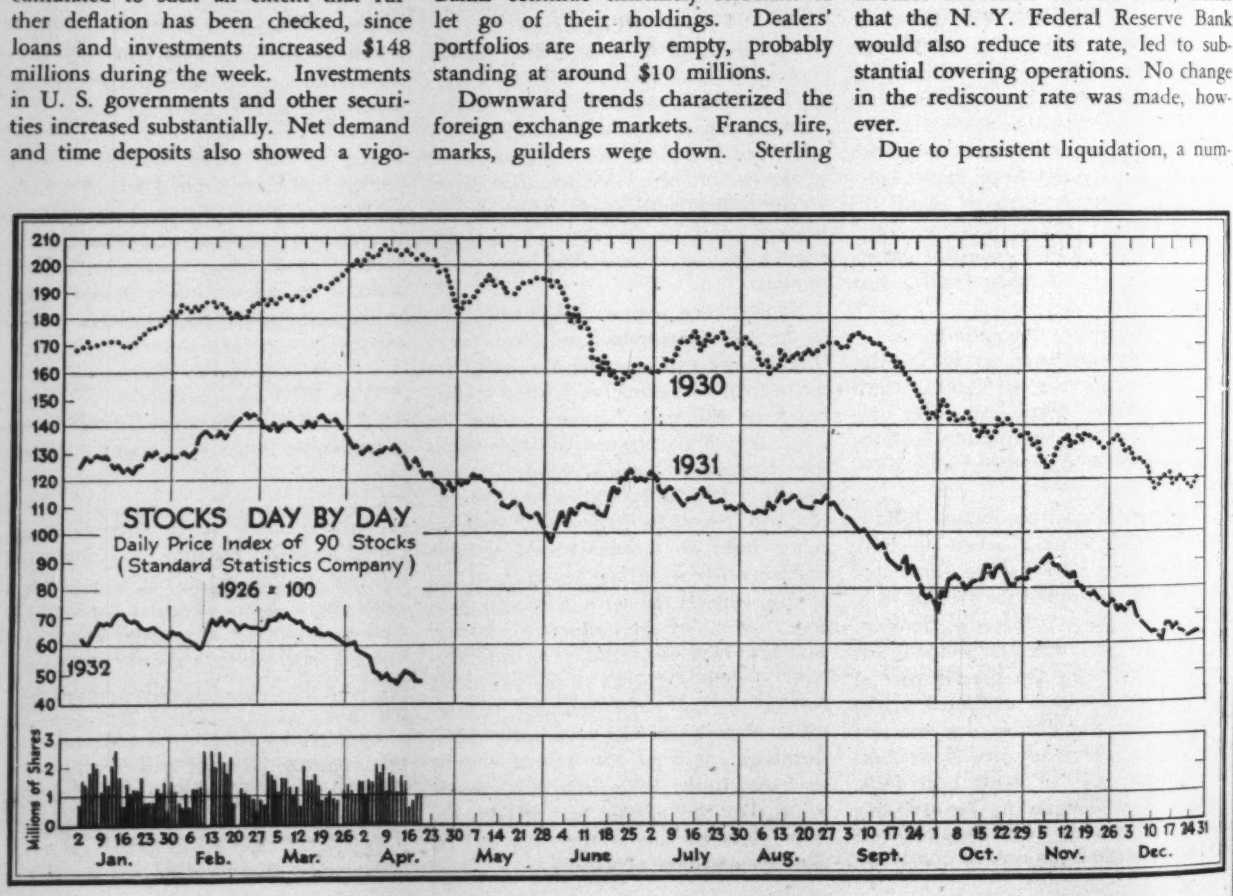
Chile departed from the gold standard after 9 months of unsuccessful effort to maintain the peso at par.

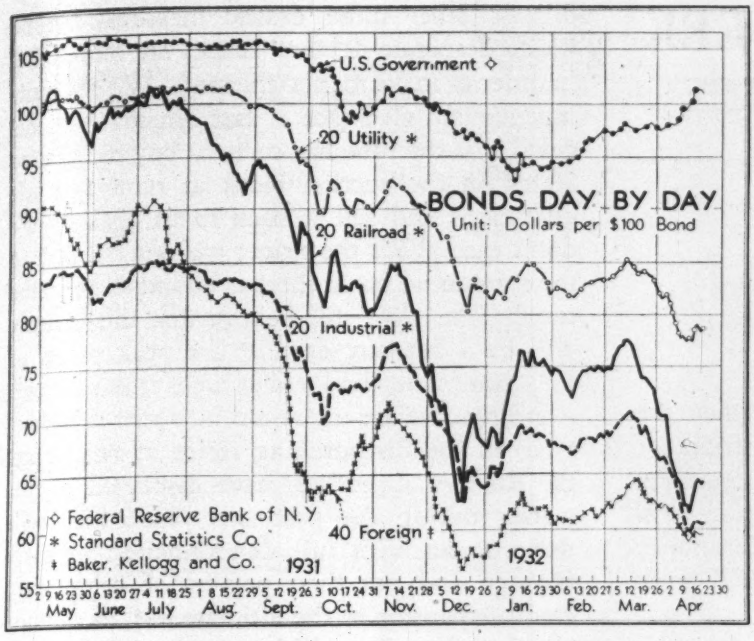
Federal Reserve funds are being taken at higher rates; time loans are down; call loans, bankers' acceptances, and commercial paper are steady.

Stocks Show They Can Rise as Well as Fall

THE stock market continued downward for 3 days, after the sharp technical rally last week-end, then moved upward again in response to the bond market's continued rise and under the influence of easier money conditions in New York. Following the further cut in the Bank of England rate on Thursday and another reduction in bill rates, belief that the N. Y. Federal Reserve Bank would also reduce its rate, led to substantial covering operations. No change in the rediscount rate was made, however.

Due to persistent liquidation, a num-





ber of pivotal issues reached new low records earlier in the week. American Telephone broke through par for the first time since 1921 while U. S. Steel, both common and preferred, dropped to the lowest levels in almost quarter of a century. With Coca-Cola also off, Homestake Mining remained the only common stock listed on the Exchange selling above $100 a share.

A depressing influence on the market early in the week was the cheerless note of the U. S. Steel annual meeting, with its report revealing the corporation's operations now down to around 20% and offering no encouragement for the nearby future. This was later offset somewhat by the more favorable mid-week business reports—slight recoveries in steel operations and electric power output, and a better showing of carloadings.

Compared with the other issues, railroad shares gave a pretty good account of themselves this week. They were firm as a group and, on reports of improved March earnings and somewhat more encouraging freight statistics, made strong attempts to break away from the general downward trend.

Industrials Lead Upturn In the Bond Market

THE bond market's sensational recovery last weekend and further display of strength this week have attracted considerable attention. New developments are being watched closely. If bonds can continue to forge ahead, it would have a favorable effect on the stock market.

The sharp upswing of bonds in the last sessions of the previous week followed the announcement of enlarged Federal Reserve buying and was accompanied by a similar movement in shares. At the opening of this week, prices began to react somewhat but tended to improve again later in the week.

All Sections Firmer

While all sections of the bond market displayed a firmer tone, the greatest strength was shown by the industrial issues. This group is well above the low level established last week. The carrier and utility lists also are above the previous lows, though their recovery has been less than that of the industrials. U. S. governments, after moving to new highs for the year, became a little easier. The foreign list made a sharp advance for 2 consecutive days at the close of last week, and after an early decline, followed a dull, steady course. The British, French, and Belgian government issues showed firmness, while those of Germany were weaker. The South American group changed little.

The improvement in railroad bonds was aided by the more encouraging early March earnings reports and better freight loadings figures. A favorable influence on the utilities was the improvement in electric power output figures.

Demand for bonds was considerably better this week, and other issues, besides domestic governments felt the effect of increased buying.

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THROUGHOUT the United States, actual comparison tests over a period of several weeks have definitely proved user preference for DUBLTOWLS over cloth towels.

In the three cities mentioned above—and in many others—a majority of all classes of workers chose DUBLTOWLS after their employers placed cloth towels and DUBLTOWLS side by side in their washrooms. Results of similar tests are reported every month in DUBLTOWL national advertising.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

April 27, 1932

Here's Looking At You!

IF we needed any more evidence that the American people have become a nation of depressomaniacs, the apathetic and petulant reaction of the press and the business community to the Federal Reserve expansion policy officially announced and initiated last week should be sufficient.

Here is, by all odds, the most encouraging event of the past two years, the most important effort undertaken by our financial authorities to turn the deadly tide of deflation which has been destroying the basis of our business structure. Yet where its significance is not completely ignored, or its potential power disparaged, its probable success is scouted with a sort of sadistic satisfaction. One might almost believe that there are still some people in this country who would deplore business improvement either because it would be "premature" or because it would deprive them of that perverted pleasure which humans seem to take in their own sufferings, or in those of others.

The time has long since passed for sophomoric cynicism or skepticism of that sort. It would be of little use if this effort failed, and it will look silly if it succeeds. If anyone has an excuse for sardonic comment on it, it is those lone voices who for more than two years have monotonously insisted that this deflation was unnecessary and could have been stopped at any time since the summer of 1930 by such action as is being taken now—not those callous commentators who insisted that natural economic forces must take their course without artificial interference.

For our part, we are quite willing to accept all the explanations the Administration and the Reserve authorities offer for not having done it before. We do not much care whether or not they were forced into it by the bonus bill or other more drastic measures behind which desperate debtors' classes are mobilizing in order to make money cheaper. We are quite ingenuously glad that at last someone has decided that the time has come to buy the United States on the auction block at rummage sale quotations and sell it back to us again. We don't care about the price; we don't object to the substantial profit there is bound to be in the transaction. We still believe that this country will be a bargain, even at the peak prices of 1929, no matter how many times it is sold out.

All that we are interested in is that this time, after all the discouraging series of hesitations the Reserve authorities have displayed in this matter during the past two years, they will drive ahead with full determination to carry through and put their powers of compelling credit expansion to the ultimate test, in spite of all the obstacles which commercial banking psychology and foreign hysteria may offer to their efforts. For the simple fact is that this line of action, as is explained elsewhere in this issue, is the logical and inevitable next step to the measures the Administration has already taken. If it fails to start steady and rapid credit expansion through established banking channels sufficient to restore price levels, far more drastic anti-deflation medicine in the form of direct currency inflation will be unavoidable. There can be no business recovery until the scarcity of money is overcome and its value lessened, so that prices may be lifted and the burden of debts lightened.

In this the banks are no less interested than business men and workers, for they are the world's greatest debtors. On this crucial issue all classes must stand together or they will fall together; and whether or not we understand what it is all about, we would all do well to give the Federal Reserve folks a rousing cheer and wish them lots of luck.

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FATIGUE

You know the type of man who works under nervous tension. By 3 o'clock he is all in. Burned out. Fidgety and cranky. It is not natural for the human machine to work under internal stress.

SO IT IS WITH WIRE ROPE THAT IS NOT PREFORMED

In non-preformed wire rope, wires and strands are under constant internal stress—because they are forcibly held in their helical positions. Witness how, when ordinary wire rope is cut, the strands and wires unravel and straighten out as the internal stress is relieved.

Due to internal inherent torsional strain, non-preformed wire rope wears out prematurely. Its life is cut short because the wires fatigue earlier and the rope loses its elasticity and strength.

TRU-LAY Preformed Wire Rope Resists Fatigue Resulting in 30% to 300% Increased Service

The statement "30% to 300% increased service with TRU-LAY" is not merely an advertising claim. Hundreds of bona-fide service reports in our files prove that under the same operating conditions —and on the same equipment—TRU-LAY outwears and outlasts non-preformed wire rope by 30% to 300%.

If you are interested in lowering *your* wire rope costs, investigate TRU-LAY. For more facts, address:

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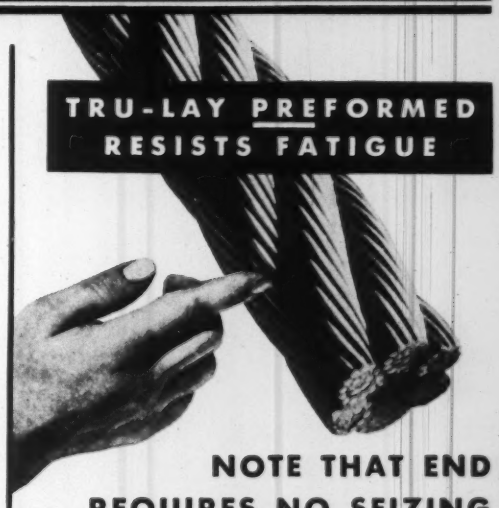


TRU-LAY PREFORMED RESISTS FATIGUE

NOTE THAT END REQUIRES NO SEIZING

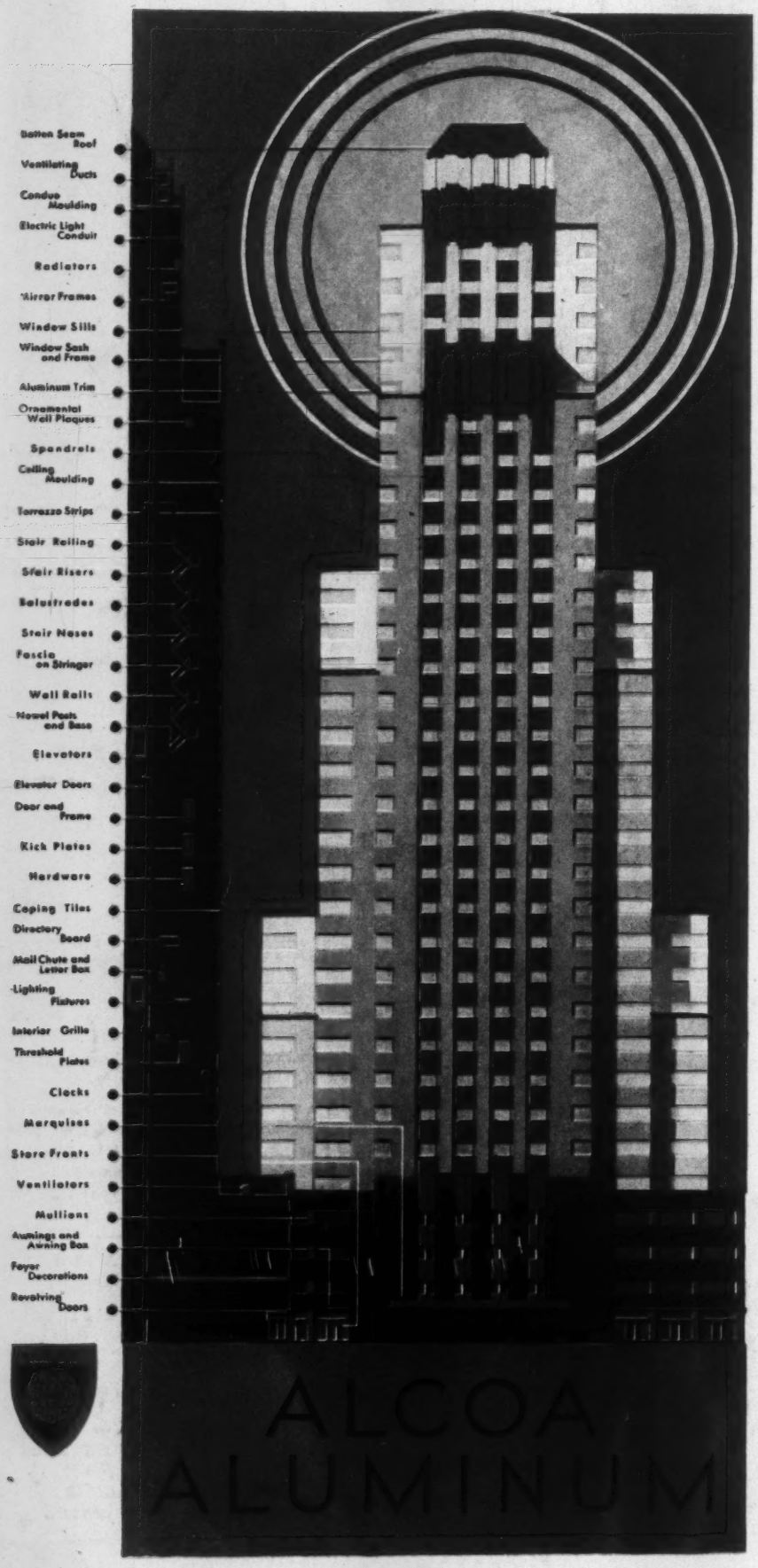
This illustration is made from an honest, unretouched photograph of Tru-Lay Preformed Wire Rope. Only in Preformed Wire Rope will the strands and wires stay in position without seizing or tying the end as this photograph reveals.

In Tru-Lay, wires and strands are helically shaped so they lie in position, *relaxed*. There is no straightening-out tendency—no internal stress. The result is less fatiguing action, longer life, easier handling, greater flexibility, just to mention a few of the advantages of TRU-LAY.

ELIMINATION OF INTERNAL STRESS IN TRU-LAY PREFORMED WIRE ROPE RESULTS IN 30% TO 300% INCREASED SERVICE

TRU-LAY *Preformed* WIRE ROPE

30% to 300% *Increased Service* { *Depending upon the character of the service and type of equipment*



As you go up floor by floor through a modern building, ... notice how Alcoa Aluminum adds to its beauty

Of course you know it isn't simply the use of metal that gives a building the modern note. Builders have long employed metals. Past generations, however, were workers in metals far heavier than Alcoa Aluminum—the beautiful silver-white metal born of the age we live in. Because Alcoa Aluminum, while strong, is only 1/3 the weight of the old heavy metals, architects have found it especially suited as a building material for those huge skyscraper projects that demand of a metal, strength and light weight. And Alcoa Aluminum joins to both these advantages the added virtues of resistance to corrosion, handsomeness of color tone, and price comparable to other metals that do not have its decided advantages.

And so, as your eye wanders up the exterior of a modern building, you find Alcoa Aluminum used for store fronts and spandrels, window sash, frame and sills, for mullions, batten-seam roof, ornamental figures. Closely inspecting the interiors, you find revolving doors, foyer decorations, directory boards, elevator doors, radiators, interior grilles, stair rails and stair treads, mirror frames, ornamental wall plaques, mail chutes and boxes, clocks.

If you are interested in the use of Alcoa Aluminum in any form, write to us. We gladly offer our cooperation without any obligation on your part.
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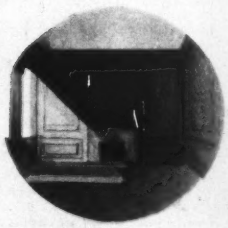

Primed with Aluminum Paint, wood won't warp

The pigment of aluminum paint consists of millions of tiny flat flakes of pure Alcoa Aluminum. When applied, these flakes overlap one another so forming a continuous coat of metal protection that's quite impervious to moisture. This checks warping of wood and helps give longer life to paint top-coats.